THE GREAT FARM PROBLEM

THE GREAT FARM PROBLEM

by

William H. Peterson

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MANUFACTURED IN THE UNITED STATES OF AMERICA.

To Ludwig von Mises, Philip Cortney,
Lawrence Fertig, and Henry Hazlitt
—to whom freedom owes so much.

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PREFACE

Is American agriculture but a much romanticized "way of life," to be supported by both the market and the United States Treasury? Or is it a business, not essentially different from any other business that must pay its own way? Three decades of "farm policy" tinkering have proved a fiasco. "Our six billion dollar failure" is the way economist Edwin L. Dale, Jr. of the *New York Times* expresses it.[1] The "farm problem" persists. The government is entangled, politically and economically, in a huge industry. How did the government get there? How will the government, if ever, get out? Answers to these two questions are sought.

To those who believe the problem is strictly a *farm* problem, the author would counter with John Donne's "Never send to know for whom the bell tolls; it tolls for thee." What has happened to agriculture could happen to any industry where the forces of supply and demand are continuously disrupted and government decision supersedes private initiative. For example, the utility industry already witnesses the federal production of electricity at 24 per cent of the national total and ever creeping higher. The larger and ultimate question, then, for every industry and all Americans is: Shall we have interventionism or free enterprise, and, ultimately, socialism or capitalism?

Agriculture touches almost every other industry. We are all consumers of agricultural products, and thus we are all the farmer's customers. The farmer is a fourteen-

billion-dollar customer of industry and labor each year, aside from his purchases for family living. Annually, farmers use twenty-two billion kilowatt hours of electricity, seventeen billion gallons of petroleum products, three hundred million pounds of rubber, and almost seven million tons of finished steel. On our farms are four and one-half million tractors, four and one-quarter million automobiles, two and three-quarters million trucks, one million grain combines, seven hundred thousand mechanical corn-pickers, some seven hundred thousand milking machines and about the same number of mechanical cotton pickers.

Moreover, the farmers use tremendous quantities of credit, chemicals, fertilizers, and seed each year. Yet big as farming is, sixty cents out of every dollar spent by Americans for food in 1957 went to people who bought, handled, transported, processed, packaged, and sold food to meet the demands of consumers. The remaining forty cents went to farmers.

Farm technology is breathtaking, and farm productivity, despite curbs, has literally exploded. Still, agriculture is treated—perhaps maltreated is a better word—as a "sick" industry and is subjected to a long succession of frankly experimental "doctors" and a variety of pills, hormones, enemas, amputations, exercises, rest cures, and so forth, so that it is little wonder that the patient suffers on and on.

A remedy for our farm ills is spelled out in this volume. The proposed remedy has not been hedged or buried in academic impedimenta. Footnotes have been made as unobtrusive as possible, and wordiness and minutia have been avoided. This does not purport to be a "definitive"

work. In writing this bird's-eye view of the farm problem, the author does not attempt to "tell all." Rather, he hopes to trace, briefly, the history of the farm problem and provide the necessary framework for its understanding. The development of the farm problem, its dimensions and implications, and a simple solution are presented here. The reader is the judge.

The author thanks all those who counseled him along the devious paths of "farm policy." He especially thanks James A. McConnell of Cornell University and Chairman of the Board of the Foundation for American Agriculture; the Foundation's Vice-Chairmen—William T. Brady of Corn Products Refining Company and F. Peavey Heffelfinger of F. H. Peavey & Company; the Foundation's special consultant, Charles Dana Bennett; Jay Morrison of Seattle; Karl Brandt of the Stanford Food Research Institute; Herrell DeGraff of Cornell University; Allan B. Kline, former head of the American Farm Bureau Federation; the Federation's economist, W. E. Hamilton; and Irwin M. Reiss of Meadowlark Farms, Inc., Sullivan, Indiana. For permission to use material which has appeared in *The Freeman* magazine, thanks are due Leonard E. Read, President of The Foundation for Economic Education, Inc., publisher of *The Freeman.*

In no way, however, are the views of these men to be inferred from those in this study. The author accepts sole responsibility for the book and whatever errors it may contain.

WILLIAM H. PETERSON

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PROLOGUE

The Vanishing Farmer of Grant Wood

The husbandman that
laboreth
must be first partaker
of the fruits.
—St. Paul
(Inscription above the entrance to the U.S. Department of Agriculture)

Worm or beetle—drought or tempest
—on a farmer's land may fall
Each is loaded full o' ruin, but a
mortgage beats 'em all.
—Will Carleton

In 1933, Grant Wood, an Iowa-born American artist, painted his *American Gothic,* a reasonable facsimile of what the American mind pictured (and to an extent still pictures) as a typical farmer and his wife. The farmer, in his late fifties, is a sun-browned bespectacled man in faded blue overalls. He holds a pitchfork in one hand. At his side is his straight-haired wife in a calico apron. Behind the couple stand a white farm house and a red barn. Their eyes tell the world of their pride in being "of the soil." Their mien bespeaks of prairie independence.

Despite this glorified rural scene, these two Americans and their world are fading into folklore and folk song, much in the way that the horse-drawn buggy and the

wooden-handled moldboard plow are being collected at antique fairs and sought-after Grant Wood paintings are being gathered in the nation's museums. A way of life is passing into history.

A technological revolution has overtaken the American farm, and the mass stereotype of the unbusinesslike "dirt" farmer is being erased, slowly but surely, by the inexorable march of technology and economics in a still capitalistic society. Today's farmer is a specialist. His farm is mechanized. His capital needs are extensive. Large corporate farms, here and there, are emerging on the American landscape. Quite possibly, farming may go "big business." Some farmer's son or grandson may even be the Henry Ford of the soil in the next millenium, only forty years distant.

Surely old-time self-sufficiency and the all-around farmer—raising chickens and hogs, growing vegetables, fruits, grains, "something of everything"—has long since yielded to specialization and virtually complete dependence on the market. But the market—to the economist, "demand and supply," the means by which the consumer directs production and weeds out the unfit and the inefficient—is widely misunderstood and misapplied. For now, especially for marginal and submarginal farmers, dependence, in large measure, gravitates away from the market and toward the U.S. Treasury. It is no longer the consumer who is sovereign, and certainly not the farmer, but a faceless bureaucrat in Washington. It is he, the bureaucrat, directed by Congress and pressure groups, who is vainly trying to repeal the inexorable laws of supply and demand.

There was a time when Crèvecoeur, the eighteenth-century French observer of American agriculture, could write:

> The philosopher's stone of an American farmer is to do everything within his own family; to trouble his neighbors by borrowing as little as possible; and to abstain from buying European commodities. He that follows that golden rule and has a good wife is almost sure of succeeding.

Even by the turn of the twentieth century, as some "old-timers" will remember, farm life was rustic and rigorous. Towns were far off, and Saturday nights were spent at home. Kerosene lamps furnished light, and "horsepower" was provided by, of all things, horses and mules and, occasionally, oxen. The farmer's life was hard; toil was "backbreaking"—from sun to sun and frequently beyond. By today's standards, there was little labor-saving equipment. Cows were milked by hand from a three-legged stool. Breakfast was cooked on a coal- or wood-burning stove, which also served to warm a wintry house. Wood was chopped with an ax, and a portable powered chain-saw was not even dreamed of. The farmer guided his plow and trudged behind his team of two sturdy horses. A good deal of the sowing was much as it was in the Bible, "broadcasting" seed from a sack slung over the shoulder. Weeding was "stoop-labor."

In the farmer's home, the laundry was done on a washboard with homemade soap. Clothes were few and they were always being cut, sewed, patched, darned, turned,

and made over. Food was ever being readied for the next meal—and the next months. Since the harvestings came off the fields irregularly and then almost "all at once," canning, pickling, jelling, churning, corning, smoking, salting, and otherwise preserving and storing food provided the farmer's wife with her own "backbreaking" labors. A partial way out of the chores was a high division of labor in the family, with even the smallest children helping. Ungraded one-room schools were "let out" at seasonal work peaks.

Grant Wood's *American Gothic* farmer—independent, homespun and self-sufficient—is, appropriately, in a museum (The Art Institute of Chicago). Today's increasingly mechanized farmer, like his father, is still a planter, cultivator, and harvester and a "do-it-yourself" mechanic, electrician, carpenter, and veterinarian. But increasingly, today's farmer is a price-conscious, cost-conscious *businessman,* an agronomist, a soil engineer, and with his investment in land and equipment, a capitalist.

As a businessman, today's farmer must know when to buy more land and how much per acre he can pay in view of its prospective yield. He must be able to prorate the purchase price of new farm equipment in terms of increased productivity and income-tax allowances. With an eye on market conditions, he must select the right cash crops and animals for his farm. He must know the right time to sell the crops and animals he raises. If he continually makes bad decisions, he will, like all businessmen who do so, fail.

And like all of us, today's farmer is also, and, in a

sense, unfortunately, a political man. For it is here, in politics, that his dilemma lies. Here, in the political arena, is the battleground of old and new, of pitiful dependence and independence, of political mendicancy and free enterprise. The "farm problem" is a political problem.

CHAPTER I

The Argument

But a bold peasantry, their country's pride,
When once destroy'd, can never be supplied.
—OLIVER GOLDSMITH

Greek mythology tells of two men, Sisyphus and Tantalus, condemned by the gods to suffer eternal and exacting torment. Tantalus stood in water up to his chin, yet each time he bent his head to quench his thirst, the water receded beyond his lips. Sisyphus was forced to push a big stone up a hill, but as he neared the top, victory at hand, the boulder would tumble down and Sisyphus would again attempt the grueling ascent.

So has it been for our farm planners. For more than a generation, ever increasing surpluses—a telltale sign that something is wrong—have dogged the agricultural experts in Washington. The year 1958, a bumper-crop year, provided the biggest farm surpluses of all time. Each time the planners hopefully believed that victory was at last theirs, with surpluses declining or even "stabilized," new obstacles appeared.

Mountainous obstacles. Adequate storage facilities were not, for long periods, to be had. In the early days of the Eisenhower administration, caves, abandoned factories, hangars, circus tents, oil tanks, moth-balled World

War II merchant ships, walled-up rural streets, and shut-down movie houses supplemented existing grain-terminal and elevator space. The ships-into-bins use continues to the present moment. In August, 1955, the U.S. Department of Agriculture urgently sought bids from contractors to build fourteen thousand new bins to hold forty-seven million more bushels of grain. As always, the addition was too little and too late.

In May, 1959, the government owned or had a lien on more than three billion dollars' worth of wheat and more than two billion dollars' worth of corn. As of February 28, 1959, Department of Agriculture statisticians estimated the government-owned Commodity Credit Corporation's "investment" in the nation's wheat at better than a billion bushels—753,509,376 bushels owned outright and loans outstanding on 533,444,796 bushels more. The Commodity Credit Corporation's "investment" in corn was also well over a billion bushels—1,144,121,938 bushels owned outright and loans outstanding on 427,271,926 bushels more. All in all, the government's total "investment" in farm commodities runs about nine billion dollars. By June 30, 1963, under present laws, the U.S.D.A. expects the government's stake in farm surpluses to climb to about $12,000,000,000. But even these figures do not tell the whole story. Since July 1, 1953, the CCC has disposed of some $16,000,000,000 in acquired farm commodities, mostly overseas.

A "normal" year's wheat-crop yield is from 900,000,000 to 1,000,000,000 bushels (almost 1,500,000,000 bushels made up the 1958 crop), but present wheat crops are

abnormal in view of artificially stimulated prices, so that a year's crop generally produces unconsumed "carry-overs" of 200,000,000 to 400,000,000 bushels. On July 1, 1956, the accumulated carry-over was in excess of a billion bushels. To meet this problem, some 550,000,000 bushels were sold on world markets on terms that brought charges of dumping from other wheat-producing countries, many of which we otherwise aid. Besides, the Soil Bank was put to work, and $230,000,000 was paid to farmers for withdrawing more than twelve million acres from wheat production. Yet the 1957 crop, at 947,000,000 bushels, was only 50,000,000 bushels under that of the previous year. And the 1958 crop beat the 1957 figure by 500,000,000 bushels! Again, the government planners' solutions of subsidized exports and the Soil Bank were too little and too late. The gluts persist.

Consider the related problem of our dwindling tobacco exports. It is an axiom of economics that high prices stimulate production and check consumption. Throughout much of America's history, Wilson, North Carolina, had been the largest flue-cured tobacco market in the world. In recent years, however, that title has been taken by Salisbury, Southern Rhodesia. Carolina production has shrunk, both absolutely and relatively. Under an acreage-allotment system, almost two out of every three burley-tobacco farmers are "garden growers" with a government allotment of eight-tenths of an acre or less (of these many are at one-half acre or less) as the maximum permitted planting, an allotment which precludes low-cost cultivation.[1] (Some farmers have managed to secure

more than one allotment.) American tobacco is one of those crops which receives the "benefit" of price supports.

Think for a moment about the dilemma faced by the government in 1959, on the eve of a Presidential campaign:

Budgetary expenditures primarily for the support of farm prices and farm income are now equal to about 40 per cent of net farm income.

Farm prices are still about 10 percent below the level prevailing when President Eisenhower took office, and have sunk at times to more than 40 percent below—with disastrous results to the Republicans in the farm areas in the 1954, 1956, and 1958 campaigns.

Farm surpluses are three-and-one-half times as large as they were at the beginning of 1953. Carrying charges—storage, transportation and interest—cost the Government more than $1,000,000,000 annually.

The Government has spent more on agriculture in the first four years of the Eisenhower Administration than it had in the preceding twenty years (which included two wars which used up surpluses to a large extent).

A sizeable exodus from the farm seems to be underway, despite all the Government "assistance." Between 1949 and 1953, the farm population declined by some 3,000,000. Nearly 2,000,000 more farm people have left their farms since 1953. In 1953 farm population was 14.3 per cent of the total U.S. population; in 1958 it was but about 12 per cent of the total.

The U.S. Department of Agriculture reported that as of February 28, 1959, investment of the Commodity Credit Corporation in price-support programs amounted to $9,089,475,000—made up of loans outstanding of $3,977,-

848,000 (including $706,779,450 of loans financed by lending agencies), and the cost value of inventories $5,111,627,000.

As of Feb. 28, 1958, the investment was $7,317,819,000, of which loans outstanding amounted to $2,427,782,000 and inventories $4,890,037,000.

Price-support operations in five commodities accounted for the bulk of the Feb. 28, 1959, loan total as follows:

Cotton, Upland..	6,447,558 bales	$1,101,695,551
Wheat	533,444,796 bushels ..	978,879,790
Tobacco	924,451,817 pounds ..	599,437,828
Corn	427,271,926 bushels ..	523,818,948
Grain Sorghum..	146,188,894 cwt.	276,081,784
Other	xxx	497,934,361
		$3,977,848,262

(Included under "other" were loans on extra long staple cotton, cottonseed, barley, dry edible beans, flaxseed, oats, rice, rye, soybeans, honey, peanuts and tung oil, the largest being $249,699,676 on soybeans.)

Major items in the inventory of CCC as of February 28, 1959, were:

Wheat	753,509,376 bushels ..	$2,144,139,573
Corn	1,144,121,938 bushels ..	2,014,653,082
Grain Sorghum .	156,295,221 cwt.	410,507,557
Cotton, Upland ..	1,411,576 bales	205,573,504
Barley	69,340,032 bushels ..	84,175,653
Rice, Rough and Milled ...	6,268,394 cwt.	54,366,420
Strategic Materials	xxx	36,503,561

Soybeans . . .	12,152,353 bushels . .	28,286,736
Butter	44,408,334 pounds . .	26,331,946
Rosin	262,185,642 pounds . .	20,797,740
Oats	25,394,135 bushels . .	19,491,597
Dried Milk .	116,467,411 pounds . .	18,000,609
Cotton, Extra Long Staple . . .	32,307 bales	9,461,956
Other	xxx	39,336,835
		$5,111,626,769

("Other" items in inventory include cheese, dry edible beans, cornmeal, flaxseed, rye, wheat flour, gum turpentine, tobacco, crude cottonseed oil, refined cottonseed oil, peanuts and tung oil, the largest of which was tobacco with a cost value of $7,643,455.)

Net realized program loss on price-support operations for the eight months ended Feb. 28, 1959, totaled $491,-848,510. For the same period in the previous year the loss was $712,922,765, and for the fiscal year ended June 30, 1958, the program loss on price-support operations totaled $1,006,548,967.

Price-support operations of CCC are financed in large part, though not completely, by borrowings. CCC is authorized by law to borrow money as needed, but as of Feb. 28, 1959, total borrowings could not at any time exceed the aggregate $14.5 billion.

The CCC holds a sufficient amount of this borrowing authority to purchase at any time all loans and other obligations held by lending agencies under the Corporation's programs. On Feb. 28, 1959, CCC had in use $13,940,832,-000 of this authority; actual borrowings amounted to $13,233,000,000 and obligations to purchase loans fi-

nanced by lending agencies amounted to $707,832,000. This left a statutory borrowing authority of $559,168,-000.

Loans and inventory figures covered in the foregoing do not include "purchase agreements" which provide for purchase by CCC of stipulated quantities of price-support commodities if offered by producers at the end of the loan period. These purchase agreements entered into on 1958 crops through Feb. 28, 1959, had an estimated total value of $190,989,000. Purchase agreements entered into on 1957 crops through Feb. 28, 1958, had an estimated total value of $196,363,000.

Price support extended (total loans made plus direct purchases plus purchase agreements entered into) on 1958 crops alone through Feb. 28, 1959, amounted to $3,774,812,633, compared with $2,285,399,931 on 1957 crops through Feb. 28, 1958.

As new problems appear and old problems persist, the planners resort to schemes which have been tried before and have failed. Consider the Soil Bank a bit more fully. During the Great Depression, for example, an era characterized by an American President as one in which one-third of the nation was ill-nourished, ill-clad, and ill-housed, the press generally ridiculed the spectacle of "every fourth row of cotton" (ten and one-half million acres) being plowed under and millions of young pigs and pregnant sows being slaughtered at government behest. Yet in 1956, an election year, with the inauguration of the Republican-sponsored Soil Bank, Congress authorized the Secretary of Agriculture to permit the plowing under of vast acreage already planted so that farmers could receive rental payments from the government.

Editorial writers were strangely silent; cartoonists satirized other targets. Only former New Deal Secretary of Agriculture Henry A. Wallace, it seemed, hailed the tardy imitation, which was, as an old maxim would have it, the sincerest form of flattery. Or consider Public Law 480, which permits the heavy subsidization—dumping may be the apter word—of American farm surpluses abroad. How close is Public Law 480 to the McNary-Haugen bills of the 1920's?

The foregoing are cited as symptoms of an agricultural disease that has been attacking the American economy for more than a generation. The disease is usually referred to as the "farm problem," and, like cancer and the common cold, a great many of its doctors—farm economists, agronomists, farm journalists, politicians, farm-lobby heads, agricultural bureaucrats, professors of agriculture, and even the farmers themselves—express bafflement about the cause. The gluts, the political recriminations, the farmers' complaints, the lobbyists' pleadings, the foreign repercussions go on and on. But to no avail. In August, 1958, the White House released the Francis Report, in which the government conceded that the farm-surplus problem, with its multi-billion-dollar annual cost to the taxpayers, would continue for at least well into the 1960's.[2]

To solve the "farm problem," Secretary of Agriculture Benson, in the fall of 1955, invited "everyone" in the country to send in ideas. Said the Secretary: "I guarantee to you that those ideas will receive the most careful attention possible."[3] Thus encouraged, economist Henry Hazlitt of *Newsweek* magazine proposed a simple two-step

program which went straight to the heart of the problem. Hazlitt wrote:

> The first point may strike some readers as extremely novel, because it is almost nowhere being suggested. This is that Congress stop all price guarantees and all promises of support-buying of any kind on any crop that has not been planted. . . .
>
> [Secondly] the government would sell [at cut prices] its existing surpluses back to the farmers themselves.[4]

Hazlitt's program is noteworthy for its directness and efficacy, although some may criticize its lack of gradualism. His proposal on stopping price supports would eliminate the major cause of the "farm problem" root and branch. Further surpluses could not occur, for free prices will always clear the market. Existing surpluses would be solved by Hazlitt's second point of selling the surpluses back to the farmers. The farmer would then either store his share at his own expense or sell it. The farmer would hardly raise more of a crop while the existing surplus was being reduced. And he would meanwhile have the natural incentive of property and profit in conserving his own soil, switching to new crops, converting his land to grazing pastures for animal husbandry, or selling his farm and going into industry, as the overwhelming number of his predecessors have long since done. Billions in Treasury payments would be saved. Nothing, however, came of the Hazlitt plan or the calls for freer farming put forth by Secretary Benson. Government intervention continues.

Thus intervention is the farm problem. The problem is strictly political. Were there no intervention, there

would be no farm problem. Of course there would be the perennial agricultural problems of weather, insects, erosion, competition, shifting consumer tastes, the relative efficiency and inefficiency of individual farmers, fast-moving farm technology, and so on. In a nutshell, this discussion attempts to demonstrate the futility of farm intervention in particular and, inferentially, of all intervention in general.

Intervention, by way of definition, is governmental interference with the market forces of supply and demand. It is carried out directly or indirectly by the government. Intervention occurs, for example, when public agencies enter the market place and set minimum or maximum prices or tax one group of competitors (e.g., foreign) and not another. Intervention occurs, too, when government tightly "regulates" otherwise competitive industries through political appointees or grants privileges to such groups as industrial cartels or labor unions in order to protect them from competition—i.e., grant them monopoly power.

The tragedy of all intervention—the farm problem is a case in point—is that the longer it continues, the more difficult it becomes to extricate producers, consumers, and the nation from the growing morass of controls and politics. Intervention breeds intervention. Politicians may clothe farm intervention in semantic niceties, such as "parity prices," "Soil Bank," "Brannan Plan," "Food Stamp Plan," "ever normal granary," "soil conservation," or, simply, "farm policy," but the basic disruption of market forces—intervention—continues.

Farm intervention dates back to, mainly, Hoover's

Federal Farm Board of 1929. For thirty years—1929-1959—intervention has, rather than solved the farm problem, exacerbated it.

So-called farm policy, so subject to political caprice and compromise, has long continued, a thirty-year makeshift, a tragicomic failure by any standard. Granted a continuation of our present democratic system of government and the present philosophy of interventionism, this situation very likely cannot be corrected in the near future. In the long run there is hope, as far as agriculture is concerned, for as the farm population shrinks because of economic and technological developments, its voting strength will diminish and the farm bloc will, therefore, tend to become less potent. (Let it be noted, however, that farm intervention today seems less a matter of farmer demand than of government imposition.) What almost certainly will persist is the interventionist philosophy, ever disrupting market forces and causing what Professor Ludwig von Mises has called "planned chaos," the very antithesis of free enterprise.

What do Americans mean today by "free enterprise?" This is a question that Vladimir V. Matskevich, Russia's Minister of Agriculture and leader of the twelve-member Soviet farm delegation to the United States in 1955, might have asked. Although the American farm is a far cry from the Russian collective farm, there is nonetheless an affinity between the two: both are products of government intervention. While Russian intervention is total and has produced scarcities, even famines, American intervention produces surpluses. For the American farm, the degree of intervention is less but, viewed

in historical perspective, is substantial and growing.

The United States government, through thousands of its agents in county seats, buys much of the nation's grain. It lets farmers know how many acres they may plant, with inspectors checking in the fields to make sure there is no overplanting. It insures crops. It stores crops. It irrigates crops. It sells crops. It exports crops. It gives away crops—for example, through foreign aid and the school-lunch program. It plans and finances soil conservation. While fretting over surpluses, it researches for greater crop yields, and it annually adds vast new acreage of farmland through its land-reclamation program. It lends money, at subsidized rates, to farmers for equipment, electrification, livestock, planting, seed, fertilizer, and harvesting. It restricts domestic competition. It exempts co-operatives from corporate income taxes and the anti-trust laws. On certain commodities—fluid milk, for example—it directly sets minimum prices. Through price supports, it indirectly sets prices on all other so-called "basic" crops. And, finally, through tariffs and quotas, it hurts foreign competition. All this is hardly "free enterprise," Commissar Matskevich could report to the Kremlin.

The farmer is no longer a free agent. Neither is the consumer. The consumer is forced to support the waste of intervention through higher taxes and artificially higher prices for farm products. The farmer, in many instances, is no longer consumer- and quality-minded, for he grows for Government storage and not for market consumption. For example, there has been a sharp increase of "yellow belly" wheat, (i.e. inferior quality).

This, then, is the argument of this discussion: The farm problem is, in a word, intervention. The farm problem is political and could be labeled "made in Washington"; the problem lies in the politics enmeshing the farmer, his prices, his surpluses. These surpluses include not only wheat, corn, powdered milk, cheese, tung oil, cotton, and more than twenty other commodities, but—farmers.

America's surplus farmers are, for the most part, the smaller, inefficient farmers, marginal and submarginal, whose margin of existence depends on direct and indirect subsidies from the government—i.e., from the American people. The farm problem, personalized, is in part the surplus farmer, politically and economically dependent on a Treasury "conservation check," a "Soil Bank" check, on "parity supports" and "marketing agreements" designed to prop prices higher than the price of the free market.

The farm problem is a political philosophy and system—interventionism—consisting, in part, of many small farmers, quite a few big farmers, a powerful farm bloc, a farm bureaucracy, and some, but by no means all, influential farm lobbies. It is this network which has created the modern American farm dilemma of imbalance and stifling controls. The farmer and the consumer and, in a sense, the politician are all victims of intervention. How did this come about? When did it begin? Chapters II-VI, inclusive, will trace the farmer's penchant for intervention from colonial days to the present. Chapter VII will analyze the futility of farm intervention.

CHAPTER II

Colonial Agrarianism: 1600-1776

> Whence come all these people? They are a mixture of English, Scotch, Irish, French, Dutch, Germans, and Swedes. From this promiscuous breed, that race now called Americans has arisen.
>
> —CRÈVECOEUR

1. *Who and Why*

The flood of humanity that streamed out of European cities, farms, and byways into the New World wilderness was the result of many motivations. Each European migrant, in his own way, envisioned the far-off Atlantic outposts as a promise of a new life of hope and riches. Who were they, these first Americans? In the *dramatis personae* were the debtor, the explorer, the speculator, the soldier, the religious exile, the political exile, the prisoner (it was oftentimes cheaper to ship him to America than to keep him in a prison), the merchant-trader, the mother, the child, the geographer, the adventurer, the indentured servant, the husband-seeker, the royal land grantee, and the tenant farmer—a conglomerate of industrious and idle, freeman and slave, aristocrat and peasant, soldier and civilian, Scandinavian and Spaniard, Englishman and Dutchman, law-abider and lawbreaker, rich and poor, but mostly the poor, and especially the land poor.

Of all the attributes of wealth during this period, land was the surest mark of the rich and well born. With land —and America's land seemingly stretched to infinity— one would be no longer poor. How poor can be seen in the observation of Sir William Pelham in seventeenth-century England:

> Our country was never in that want that now it is . . . for there are many thousands in these parts who have sold all they have even to their bed straw, and can not get work to earn any money. Dog's flesh is a dainty dish.[1]

The largest single common denominator, then, in the motivation of the great westward migration from the Old World to the New was economic in nature. However mundane and materialistic this may seem, American land was the most powerful magnet of all, even though the motives in the mind of any single migrant were almost always mixed.

The land lure acted upon high and low alike. To the royal sovereigns of western Europe, the New World provided the basis for power, a system of imperialism politically and a system of mercantilism economically. A great race for colonies ensued among the monarchs. Colonists were needed, and they were lured by visions of "free" land. For the high-born, "free" land would mean a fine home on a broad estate, with the management of a great plantation and many serfs and perhaps slaves. For the low-born, "free" land would be an escape from tenancy, with its tithes and quitrents, or perhaps from the almshouse and the debtor's prison.

Thus from the beginning, America was the melting

pot of different peoples, different philosophies, and different walks of life. American land—"God's waste"—was in one sense a unifier and yet in another a diversifier, scattering migrants from the Old World to varied virgin stretches north and south along the eastern seaboard and steadily to the west. Land was the means for America's almost single industry, agriculture, and for America's loosely knit philosophy, agrarianism.

Agrarianism was never a full-blown philosophical system but, rather a loose, pragmatic, emotional response, imperfectly and variously manifested at times and as parts of Know-Nothingism, Greenbackism, Grangerism, Populism, and the New Deal. Just what was agrarianism? In a word, it was *land*—love of the land, of life on the land, of a livelihood from the land, of a favorable public policy directed toward the land. Crèvecoeur echoed certain aspects of agrarianism when he wrote, about the time of the American Revolution:

> The instant I enter on my own land, the bright idea of property, of exclusive right, of independence exalt my mind. Precious soil, I say to myself, by what singular custom of law is it that thou wast made to constitute the riches of the freeholder? What should we American farmers be without the distinct possession of that soil? It feeds, it clothes us, from it we draw even a great exuberancy, our best meat, our richest drink, the very honey of our bees comes from this privileged spot. No wonder we should thus cherish its possession, no wonder that so many Europeans who have never been able to say that such portion of land was theirs, cross the Atlantic to realise that happiness. This formerly rude soil has been converted by my father into a pleasant farm, and in return it has established all our rights; on it is founded our

rank, our freedom, our power as citizens, our importance as inhabitants of such a district.[2]

In the same vein, Crèvecoeur also noted:

> In this great American asylum, the poor of Europe have by some means met together, and in consequence of various causes; to what purpose should they ask one another what countrymen they are? Alas, two-thirds of them had no country. Can a wretch who wanders about, who works and starves, whose life is a continual scene of sore affliction or pinching penury; can that man call England or any other Kingdom his country?[3]

Benjamin Franklin tried to establish in the agrarian philosophy the point that only agriculture and land produce wealth—a concept which he may have borrowed from the French physiocrats. He stated:

> The Value of Manufactures arises out of the Earth, and is not the Creation of Labour as commonly supposed.
>
> When a grain of Corn is put into the Ground it may produce ten Grains. After defraying the Expence, there is a real Increase of Wealth.—Above we see that Manufactures make no Addition to it, they only change its Form.—So Trade, or the Exchange of Manufactures, makes no Increase of Wealth among Mankind in general; no more than the Game of Commerce at Cards makes any Increase of Money among the Company tho' particular Persons may be Gainers while others are Losers. But the clear Produce of Agriculture is clear additional Wealth.[4]

Certainly American agrarianism was a hybrid seed. From the "Indians"—America's aborigines—the Europeans gained knowledge of what would prove to be three

important commercial crops: maize (corn), potatoes, and tobacco. From the Old World, the Europeans transplanted in America their various political, social, and religious roots. Into the new American community, a melting pot for three centuries, came the Puritans to Massachusetts, the Quakers to Pennsylvania, the Catholics to Maryland, the Anglicans to Virginia, and, generally, the Presbyterians, Lutherans, Huguenots, Jews, Anabaptists, Seventh-Day Adventists, and "pagan" African natives.

The diversity of religions was matched by the diversity of the "old countries." Although the English predominated, there were sizable numbers of Scotch-Irish, Germans, Scandinavians, Dutch, French, Spanish, a few Swiss, and many Negroes in the colonies. The multiplicity of national and religious backgrounds built up powerful feelings of individualism and independence, mixed with indigenous agrarianism.

2. *European Mercantilism*

It was this unique "American" sense of individualism and independence, imperfect because of an inescapable intellectual inheritance, that came to clash with the mercantilistic policies of Europe. At the time of the American colonization, the modern European state had evolved. It was a product of an alliance between kings and merchants in a bid for power. Throughout western Europe, king and merchant, in effect, formed partnerships to attain what they regarded as their mutual ends—

the furtherance of the mercantile interests and the hegemony of the monarch over the feudal lords.

By 1700, England, France, Holland, Sweden, and Denmark, in true mercantilistic theory and practice, had chartered more than fifty commercial or semicommercial overseas companies. The Pilgrims, who founded Plymouth in 1620, were financed by Thomas Weston, an English merchant, and his associates. The Virginia Company of London, consisting at one time of some 660 persons, including 21 peers, 96 knights, 58 gentlemen, 110 merchants, and 282 citizens, chartered by James I, founded Jamestown.

The split between the "Americans" and their sponsoring Europeans was widened, not only by geography, but also by conditions, for the dangers of wresting the New World from combative natives and the elements were not always fully appreciated by the sponsors, safe at home in the countinghouses and coffeehouses. The rigors of the New World were especially hard on the colonists of the first Virginia expedition to Jamestown. In the first few months after the landing, 76 of the original 104 settlers had perished, killed by Indians or unable to withstand disease and the elements. Some of the Pilgrims aboard the *Mayflower* failed to survive the two-month voyage and only half of these survivors endured the first winter in New England. Slowly, surely, the surviving colonists, the blood of their brethern sacrificed on the sea and in the soil, began to think of America as their very own land.

In the "political arithmetick" of mercantilism back

home, colonies were so many investments, so many entries in the ledger, yet to the credit of the European capitalists supporting expeditions to Asia and the New World, the risks and the unknowns of their overseas investments were great. Of concern to the colonists, the philosophy of mercantilism carried peculiar ideas. Edward Misselden, a mercantile writer, put forth the proposition in his *The Circle of Commerce* (1623) that the political preservation and economic expansion of the kingdom demanded a "favorable balance of trade." This concept had already been widely accepted: the home country's exports had to exceed its imports if it was to survive and expand. The formula did not bode well for the colonists. Misselden expressed it in this way:

> The Royall Merchant, the Regall Father of that great family of a Kingdome, if Hee will know that the Estate of his Kingdome, Hee will compare the Gaine thereof with the Expence; that is, the Native Commodities issued and sent out, with the Forraine Commodities received in; and if it appeare that the Forraine doe exceed the Native: either he must increase the Native or Lessen the Forraine, or else looke for nothing else, but The decay of Trade: and therein the Losse of his Revenue, and Impoverishing of his People.[5]

Better for the colonists was the thinking of Thomas Mun, an important writer of the mercantile era and a member of the board of the East India Company. In his *Discourse on England's Treasure by Forraign Trade,* written in 1630 and published in 1664, Mun observed that as long as the total exports of the mother country exceeded the total imports, a "favorable balance of trade"

with *each* individual trading country or colony was unnecessary. He also argued that the export of bullion—i.e., capital—like seed sown by the farmer, could, in the long run, be more than repaid in kind. Said Mun on this score, "A Prince is like the stomach in the body, which if it cease to digest and distribute to the other members, it doth no sooner corrupt them, but it destroyes it self." He added:

> It is not therefore the keeping of our mony in the Kingdom, but the necessity and use of our wares in forraign Countries, and our want of their commodities that causeth the vent and consumption on all sides, which makes a quick and ample Trade.[6]

Despite the superior quality of Mun's thought over that of most mercantilist writers, the mercantilists generally believed that statist regulation of an economy, both internally and externally, was the sole road to national prosperity; hence free enterprise was not to be found in Colbertian France or Elizabethan England. Domestic production became a fetish. Colonies were but ancillaries of the domestic productive system and furnished markets and raw materials. Producers and their prices were closely controlled, practically to the complete disadvantage of consumers and hence to the country. Adam Smith was not striking at a straw man when he wrote:

> Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer. . . . But in the mercantile

system, the interest of the consumer is almost constantly sacrificed to that of the producer.[7]

The interventionist, anti-market mentality of the mercantilists is further revealed in John Law's *Money and Trade Considered, with a Proposal for Supplying the Nations with Money* (1705). Among other things, Law advocated managed inflation, and he was able to put it into effect, disastrously, in the "Mississippi Bubble" fiasco when he became Controller General of France. Of the France of John Law, Louis XIV, and the Sun King's mercantilistic finance minister, Colbert, we learn:

. . . the state exercised over manufacturing industry the most unlimited and arbitrary jurisdiction. It disposed without scruple of the resources of manufacturers; it decided who should be allowed to work, what things they should be permitted to make, what materials should be employed, what processes followed. . . . Not the taste of the consumers, but the commands of the law must be attended to. . . . Machines were broken, products were burned, when not conformable to the rules. . . . An artisan could neither choose the place in which to establish himself nor work at all seasons, nor work for all customers. There exists a decree of March 30, 1700, which limits to eighteen towns the number of places where stockings might be woven. A decree of June 18, 1723, enjoins the manufacturers at Rouen to suspend their works from the 1st of July to the 15th of September, in order to facilitate the harvest. Louis XIV, when he intended to construct the colonnade of the Louvre, forbade all private persons to employ workmen without his permission, under penalty of 10,000 livres, and forbade workmen to work for private persons, on pain for the first offense of imprisonment and for the second of the galleys.[8]

3. *Colonial Mercantilism and* Laissez Faire

This obsession with regulation, this statist philosophy, perhaps best exemplified by Louis XIV's grandiloquence, *"L'état c'est moi,"* was ironically (and probably inescapably) adopted in a modified form by the colonists themselves. Freedom, then, to the colonists meant not only freedom from the restrictive and exploitive policies of their mercantilist rulers, eventually epitomized by George III, but also freedom to practice mercantilist policies themselves, such as employing bounties and subsidies, establishing government factories, issuing paper currency, and erecting tariffs against both imports and exports.

Colonial South Carolina, for example, levied a duty on timber exports. Virginia, Maryland, and Rhode Island had government companies making such things as textiles, shoes, and firearms. Virginia legislated the limitation of tobacco exports to stipulated ports in order to ease tobacco surpluses and prevailed upon Maryland to join her in enforced crop allocations. British investors and merchants complained to Parliament that the colonies had enacted legislation authorizing paper currency or were otherwise hurting British creditors. In fact, almost all the colonies occasionally fell back on an "easy" paper circulating medium, alleging a severe shortage of specie. In Connecticut, the New London Society United for Trade and Commerce, opened in 1732, soon greatly inflated its paper currency and was closed after a brief and wild existence. New York, New Jersey, Pennsylvania,

Delaware, Maryland, Virginia, the Carolinas and New Hampshire all experienced similar paper currency spasms. Perhaps Rhode Island was the most extreme case, when in one period nine issues of paper currency were successively issued until England intervened. By then depreciation on the early issues reached 23 to 1.

In 1740, the Massachusetts Land Bank, whose notes were backed by land and whose organization had been called for by a resolution in the Massachusetts assembly, also met the demand for cheap money. Specifically, the resolution had asked for a "bank" to supply the colony with "more money" and "an additional medium of trade." The Land Bank had no capital stock and planned to issue up to £150,000 in paper-money notes secured by land. The scheme carried popular support, especially from farmers and others in the debtor class. Creditors fought back, and in 1741, Parliament banned its operation and in 1751 forbade New England governments to issue any more legal-tender bills of credit. In 1749, the Massachusetts colony offered to redeem the Bank's paper shillings at a rate of one silver shilling for seven and one-half paper shillings. In 1776, Benjamin Franklin told British officials that American anti-British feeling had sprung partly from the British restriction of colonial paper money.

Colonial economic policies were thus a mixture of mercantilistic and *laissez faire* thought. Naturally, the royal governors and the field agents of the foreign mercantilist companies reflected the European mercantilist philosophy.

Within the colonies, a farm-city animosity, stemming from resentment toward mercantilistic practices, was not uncommon. In 1676, for example, farmers and frontiersmen led by Nathaniel Bacon seized and destroyed Jamestown. Bacon's Rebellion, as it is called, was sparked by the failure of Governor Berkeley to put down the Indian trouble, but it also evidenced the resentment of debtors and small farmers against low tobacco prices and the taxing power of what they considered "the aristocracy." Ten years later, a similar uprising occurred in New York. The immediate problem there was a law requiring farmers in the New York hinterland to sell the wheat to be exported from the colony exclusively to New York merchants for milling, a clear case of enforced monopoly and an example of British mercantilistic thinking. The country farmers revolted and in 1690 won a decree declaring that they could dispose of their grain as they wished.

Colonial economic thought was thus tempered by the American experience at the hands of European mercantilists. Distrust of interfering bureaucrats developed; resentment toward the inferior status of the colonists arose; irritation with tax stamps became widespread; general suspicion of all government set in. These radical developments in American thought, a great number of which are enumerated in the Declaration of Independence, helped to create the freest and most productive nation of all history. The revolutionary intellectual ideas of Locke, Hume, and Smith on limited government fell on receptive ears across the Atlantic.

4. *Land Systems and Tenures*

The grand plan of mercantilism can be seen in the colonial land systems and tenures granted by the Crown to commercial companies and individual landlords. Mercantilist policy generally called for colonial land to yield raw materials for export to the mother country. In the South, colonial land was, as a rule, to consist of "plantations" for the growing of food, fibers, and indigo dye for British consumption and home industries. The plantation scheme did not work out well in the seventeenth century, although it re-emerged in the eighteenth century, especially after Whitney invented the cotton gin. Before 1640, Lord Baltimore had made grants in perpetuity for manors as large as thirty thousand acres, yet he came to realize that there was more profit and quicker disposal in the issuance of grants of smaller acreage. Land in Virginia and Maryland was parceled out to thousands of freeholders. Each freeholder was thus free and independent; unlike his forebears, he *owned* a farm. These farms varied in size from fifty acres to five hundred acres.

In the colonies of Georgia and the Carolinas, small farming landholders were typical of the population, but here and there vast tracts were handed out by the Crown or the royal governors to their favorites. The settlement of lands throughout the South was not as orderly as the New England system of "township planting." Land in the South was distributed by warrants on any part of the unappropriated area. Because of the weakness of mapping, surveying, and recording, overlaps and disputes were common. Moreover, the scattered Southern farms

were poorly connected with roads. Such factors as these precluded close economic association and retarded progress.

In the North, especially in New England, the colonies "planted" townships. There could be no private ownership until townships had been established, nor could there be title to land outside the township.[9] Towns were responsible for the accuracy of surveys and the recording of deeds. Once metes and bounds were fixed, disputes over property lines were few, as can be seen in the old New England expression, "good fences make good neighbors." In Massachusetts, Rhode Island, and Connecticut, the land tenure of the farmers was typified by freeholding.

In Maine and in parts of New Hampshire and throughout New York, New Jersey, Pennsylvania, Maryland, and Virginia, quitrents and primogeniture, vestiges of English feudalism, were tried and found wanting. Land was plentiful, and property without restriction quickly became a much sought mark of independence. According to primogeniture, the preservation of an estate was to have been facilitated by the transfer of the property to the eldest son at the death of the owner. In America, however, the eldest son did not have to wait for the slow march of death; land was too cheap, and the West always beckoned. Quitrents were periodic payments to the Crown or its agents for the use of the soil; they served to emphasize the feudalistic relationship of the American colonies to the mother country as fiefs of a royal lord and master. Quitrents were usually worked out at the prerogative of an overlord, although the colonial assemblies

frequently interfered as popular discontent erupted. Quitrents became increasingly less productive of revenue, even though some landlords—such as the Fairfaxes, Baltimores, and the Penns—accumulated fortunes from them. Many farmers evaded payment of quitrents, and some attempts to collect them were met with violent resistence.

Discontent with colonial land systems, with their practices of primogeniture, transfer fees, escheat, alienation, and quitrents, along with the irritating flow of tax monies to an overseas sovereign and his governors, culminated in Jefferson's observation that

> America was not conquered by William the Norman, nor its lands surrendered to him or any of his successors. Possessions here are, undoubtedly, of the Allodial nature. Our ancestors, however, who migrated hither, were laborers, not lawyers. The fictitious principle, that all lands belong originally to the King, they were early persuaded to believe real, and accordingly took grants of their own lands from the Crown. And while the Crown continued to grant for small sums and on reasonable rents, there was no inducement to arrest the error, and lay it open to public view.[10]

5. *Individualism out of Collectivism*

Somewhat akin to the mercantilist-statist policies of Europe were initial attempts at communistic organization of the land in America. The Plymouth Bay and Jamestown colonies practiced the principle of communal production—in later Marxian terms, "from each according to his ability, to each according to his need." At Ply-

mouth Bay, according to Governor William Bradford's personal history, the rationed share of the common product from 1620 to 1622 came to "but a quarter of a pound of bread a day to each person," and when harvest came, "it arose to but a little."

The poverty seemed self-perpetuating and self-reinforcing. The colonists complained that from want of food they were too weak to care for the crops. Stealing from each other was common, despite the devout nature of the Puritans. Wrote Governor Bradford in his *History of Plimmoth Plantation:* "So as it well appeared that famine must still insue the next year allso, if not some way prevented." The colonists, he continued,

> begane to thinke how they might raise as much corne as they could, and obtaine a better crope than they had done, that they might not still thus languish in miserie. At length [in 1623] after much debate of things, the Gov. (with the advise of the cheefest amongest them) gave way that they should set corne every man for his owne perticuler, and in that regard trust to them selves. . . . And so assigned to every family a parcell of land. . . . This had very good success; for it made all hands very industrious, so as much more corne was planted than other waise would have bene by any means the Gov. or any other could use, and saved him a great deall of trouble, and gave farr better contente.[11]

The failure of communistic organization and the success of individual enterprise in Plymouth Bay had earlier been the experience of the sister colony of Jamestown in Virginia. From 1607 until 1612, the Jamestown colonists had tried, unsuccessfully, the communistic system of production. So unsuccessful had it been that the meager

population was continually stricken by starvation and famine was ever present. In 1610, the colony had even been temporarily abandoned.

The Virginia Company's directors in London dispatched Sir Thomas Dale, as governor, to salvage the Jamestown operation. Sir Thomas first tried to force higher production via hard authoritarianism. This failed. In desperation, he then tried the solution that would later save the Plymouth colony: he stopped the system by which all harvests, provisions, and supplies were put into a common storehouse so that the share of the ambitious and industrious was always exactly the same as the malingerer and the shiftless. Instead, Governor Dale allotted each man three acres to cultivate for his own use, subject to payment of an annual tax of six bushels of corn into the public granary. The decision was electric; the laggard colony was transformed into a burst of activity almost overnight, and the pace never let down. The next harvest was a bonanza. Private enterprise saved Jamestown as it later saved Plymouth. The lesson must have made a niche in the colonial mind.

6. *Toward Revolt*

American agrarianism gradually built up a general longing for freedom from British mercantilism and imperialism. The colonists began to talk and write of freedom—freedom for agriculture, for enterprise, for trade, and eventually for America. Said Pelatiah Webster, Philadelphia merchant-patriot and follower of Adam Smith:

Freedom of trade, or unrestrained liberty of the subject to hold or dispose of his property as he pleases, is absolutely necessary to the prosperity of every community, and to the happiness of all individuals who compose it.[12]

The "mother" country became the unwanted "in-law." The English Navigation Acts accordingly produced the reaction by the Massachusetts General Court that the Acts were "an invasion of the rights, liberties, and properties of the subjects of his Majesty in the colony, and [that] . . . laws of England were bounded within the four seas, and did not reach America."[13] So, too, in the South, anti-mercantilistic feeling ran high. As early as 1671, Governor of Virginia Sir William Berkeley wrote against the mercantilistic impositions on Virginia commerce as follows:

Mighty and distructive by that severe Act of parliament w^{ch} excludes us from haveving [*sic*] any Commerce wth any Nacon in Europe but our owne, Soe that wee cannot add to our plantac̃on any Commodity that growes out of itt, as olive trees, Cotton or Vines, besides this wee Cannot procure any skilfull Men for our now hopeful Comodity Silke, For it is not lawfull for us to carry a pipe Staf or a Bushell of Corne to any place in Europe out of the King's dominion. If this were for his Maty Service or the good of his Subjects wee should not repine w^{t}ever our Sufferings are for it. But on my Soule it is the Contrary for both.[14]

These anti-mercantilistic comments were more strongly echoed in the eighteenth century by such colonists as Benjamin Franklin, Patrick Henry, Thomas Paine, and Samuel Adams, all of whom hammered on the theme of

freedom and contributed to the agitation which led to the Revolution. The farmers, later to be among the Minutemen and Washington's infantry, readied their rifles.

Colonial agrarianism, which so greatly molded American history and more than a century of American farm policy, was the result of many influences. Among these were the diverse countries and walks of life in the backgrounds of the European-Americans; the abundance of land, the love of land, and the livelihood by land; the hostility of Indians and the elements; the many newly propertied Americans who so shortly before had been the landless and the "have-nots"; European mercantilism, with its imposed status of "colonists" on Americans; the curious mixture of mercantilism and anti-mercantilism in colonial thought; and the cold war between the forces of economic and political subjugation and those of economic and political independence leading to the revolution of the "rabble in arms." America was a nation of farmers. Indigenous American agrarianism was a natural creed. To the British, it was painful political heresy.

CHAPTER III

From the Revolution to the Civil War

> Those who labor in the earth are the chosen, people of God, if ever He had a chosen people, whose breasts He has made His peculiar deposit for substantial and genuine virtue. It is the focus in which he keeps alive that sacred fire, which otherwise might escape from the face of the earth. Corruption of morals in the mass of cultivators is a phenomenon of which no age nor nation has furnished an example.
>
> —THOMAS JEFFERSON

1. *Cheap Money*

If American farmers learned any lessons from the evils of monetary intervention and abuse in the colonial period, it is not evident in the legislation of the Continental Congress. The failure to learn might be explained by the fact that farmers have generally been mortgaged debtors, and, in the short run, debtors gain by the monetary depreciation of inflation—that is, they borrow "dear" and repay "cheap." It may also be explained as the result of an expeditious, inflationary means of war finance—in other words, deficit finance. Pelatiah Webster, who chronicled the Revolutionary period, wrote in 1780 of the Tender Act, which enforced negotiability of irredeemable currency "for all debts, public and private" as follows:

. . . The Act alters, and of course destroys, the nature and value of public and private credit. Who can lend money

with any security, and of course, who can borrow, lest his necessity and distress be ever so great? Who can purchase on credit or make any contract for future payment? Indeed, all confidence of our fellow-citizens in one another is hereby destroyed, as well as faith of individuals in the public credit.[1]

Thus, as under colonialism, when land banks and colonial governments issued paper currency, wartime debtor farmers were again able to liquidate their mortgages with heavily depreciated Continental currency. Farmers thereby came upon war-born bonanzas; their houses, barns, and acreage were quite suddenly free of debt, thanks, indirectly, to the Continental Congress.

The "miracle" of inflation was not forgotten when a depression, a direct result of the inflation, came upon the new United States of America shortly after Yorktown. New debtors—mostly farmers—again pressed for cheap money. Rhode Island acceded, and creditors there hid from debtors for fear of being paid off in near-worthless currency. Rhode Island shops closed. Some farmers with produce to sell refused to go into town in order to avoid payment in paper currency; other farmers insisted on hard money. Judges who chose not to enforce the legal-tender laws were upbraided by the Rhode Island legislature. Economic stagnation ensued. In New Hampshire, a mob nearly seized the legislature, which had ignored the demand for inflation.

The greatest agitation and violence over inflation occurred in Massachusetts. There, in 1786-87, Daniel Shays, formerly of the Continental Army, rounded up some four thousand of the Bay State's debt-ridden farm-

ers who were facing eviction and welded them into a small rebellious army. The farmer-soldiers' demand for cheap money reached the attention of General Washington, who wrote to a friend: "For God's sake, tell me, what is the cause of all those commotions? Do they proceed from licentiousness, British influence disseminated by the Tories, or real grievances which admit of redress?"[2] Shays' Rebellion, practically an incipient revolution, collapsed when Shays' army failed in an attempt to seize federal cannons from the Springfield armory. Yet the demand for paper currency did not go entirely unheeded; Massachusetts passed a stay law delaying the collection of debts.

Well after the end of hostilities with the British, David Ramsay, who, like Pelatiah Webster, lived through the Revolutionary era, sounded the call for currency morality, writing:

> The evils of depreciation did not terminate with the war. They extend to this hour. . . . He was reckoned the honest man who from principle delayed to pay his debt. In many instances, the earnings of a long life of care and diligence were, in the space of a few years, reduced to a trifling sum. . . . A hog or two would pay for a slave; a few cattle for a comfortable house, a good horse for an improved plantation. The dreams of the golden age were realized to the poor man and the debtor, but unfortunately what these gained was just so much taken from the others. . . . Truth, honor, and justice were swept away by the overflowing deluge of legal iniquity.[3]

Fortunately, the framers of the Constitution heeded such experience and inserted a clause in the Constitution

stating: "No state shall . . . Make any Thing but gold and silver coin a Tender in Payment of Debts." This provision, however, did not prevent banknote inflation and the pure monetary "greenback" inflation of the Civil War.

The persistent desire of farm elements for cheap money could again be seen in the struggle over the First and Second Banks of the United States, central banks, one of whose aims was the stabilization of currency. This aim was accomplished by the U.S. Bank's demanding specie when it presented state bank notes for payment. The resulting drain on the reserves of the state banks exerted a deflationary influence by limiting the ability of the state banks to issue large amounts of bank notes. At any rate, farm interests were suspicious of anything that might put a damper on cheap money. (Central banks, however, have also been guilty of inflationary issues, as the history of central banking attests.) When Hamilton's First U.S. Bank proposal came up for a vote in the House in 1791, the agricultural South cast nineteen of its twenty-four votes against it, while the more industrialized North voted thirty-four to one for the Bank. In 1811, when renewal of the Bank's charter was debated in the Congress, the rural North and expanded West, along with the agricultural South, were able to vote the Bank out of existence.

The First U.S. Bank's restraint against cheap paper-currency issue was thereby removed. With the War of 1812, inflation and speculation, through a prodigious expansion of bank notes, accelerated, especially along America's western frontier, where land was bought and

sold quickly at inflated prices. From 1812 to 1817, the expansion of bank-note issue advanced from $45,000,000 in 1812 to about $100,000,000 in 1817. This inflation, with its debt-diluting power, eased the debt burden of many mortgaged farmers. But, again, it contributed to depressed conditions, the panic of 1818-1819 and a prolonged general contraction afterwards.

The struggle over the First U.S. Bank was repeated with the Second. With the election of Andrew Jackson of the West in 1828 (as in the election of Thomas Jefferson in 1800), the agrarian elements again demonstrated political strength. Jackson's fight against the Second U.S. Bank was in harmony with the agrarian proclivity for inflation, although Jackson's immediate purpose of restricting paper currency in favor of hard money was anti-inflationary. A sharp expansion of state banks and bank credit ensued and led to boom and bust, the bust culminating in the panic of 1837. The following depression lasted throughout the 1840's.

2. *Land Policy*

In Washington's cabinet, Alexander Hamilton was named Secretary of the Treasury and Thomas Jefferson Secretary of State. The difference of views between Hamilton and Jefferson on the land question was striking. Hamilton envisioned a "rounded" economy—agricultural, commercial, and industrial, with an actual or semi-aristocratic elite running the affairs of the nation. Hamilton was, in essence, a modified mercantilist, believing in healthy commerce but also in some government direc-

tion. To be sure, his problems as the first Secretary of the Treasury were difficult. He faced a heavy war debt, and he faced widespread doubt about the administration's ability to collect adequate taxes. He found further borrowing difficult, for foreign creditors were suspicious of the new country's ability to survive. Luckily for the country, he had in the huge Western public domain (wrested from the British and the Indians) a major asset with which to draw life-giving funds to the Treasury. He proposed mainly that the Western lands be sold in 100 acre units to settlers, 500 or more to subscribers of the Government loan then under consideration and 100 square mile parcels or bigger for subdivision. Critics saw in Hamilton's proposals the basis for a landed aristocracy.

Jefferson, who became President in 1801, was an agrarian with little sympathy for any landed aristocracy. He was fearful of industry and what he regarded as its morally debilitating effects. He envisioned a nation of small independent farmers with a bare minimum of central government, arguing that "that government is best which governs least." He opposed Hamilton's idea of land sales in large parcels or to speculators. Disparities in land and wealth, Jefferson believed, would lead to jealousy, animosity, and internal friction. Basically, he was an egalitarian.

Both the Hamiltonian and Jeffersonian viewpoints came to play parts in the government's land policy. By the Ordinance of 1785, the minimum parcel for purchase from the federal government was 640 acres at a price of one dollar per acre, with discounts available for larger

parcels. The Ordinance of 1785 was elaborate and called for time-consuming surveys, land grants for public schools, and the sale of half the land in entire townships. The Ordinance did not suit the pioneers already forging westward. These people wanted cheap land in a hurry, with the right of pre-emption and free location (best land first) ; they didn't get it. In 1787, federal troops were sent along the Ohio River to drive out squatters and burn their cabins. In 1796, the price of federal land was raised to two dollars an acre in 640-acre parcels, with one-half of the purchase price in cash and the balance within one year.

With Jefferson's rise to the Presidency, agrarian liberalization was evident, with the minimum purchase cut to 320 acres and a few years later to 160 acres. In 1817, a limited number of eighty-acre tracts were put up for sale. Easier credit terms and relief acts extending the period of forfeiture marked later land policy, but the later policy discriminated against the paid-up purchaser. Those who still owed money in 1820 got a substantial reduction in their indebtedness.

Squatters, first greeted with troops, won limited pre-emption rights in 1820 and general pre-emption rights in 1841. In 1854 came Benton's Graduation Act, which permitted the sale of unsold public land at bargain prices —as low as twelve and one-half cents an acre. In 1860, a free-land plank appeared in the Republican platform, and in 1862, it was legislated in the Homestead Act. During these years, the great railway land grants, involving millions of acres, were being passed. Expediting the settlement of Western lands and voting for such action in

Congress were the newly admitted, agrarian-minded Western states: Kentucky in 1792, Tennessee in 1796, Ohio in 1803. Louisiana in 1812, Indiana in 1816, Mississippi in 1817, Illinois in 1818, and so on. Agricultural production was thus ever expanded, and the agrarians, increasingly growing commercial crops, were more and more dependent on new transport and new markets, which came to mean more exports to Europe.

3. *Tariff Policy*

Whatever the *laissez faire,* limited-government predilections of the Founding Fathers, many farmers, like other producers, treat competition like a plague: something to be avoided, nullified, or somehow made "fair." Foreign competition, for obvious reasons, is especially vulnerable to "protection" and can neatly be shut off from domestic markets; foreigners, after all, have no vote. Farmers, however, are not a homogeneous group. The markets of the Southern cotton grower, for example, differ markedly from those of the Northern hog raiser, today as yesterday. For such reasons, farmers have generally been sectionalists, divided on tariff policy as their interests dictated. Professor Murray R. Benedict, an authority on agricultural history, expresses the situation in this way:

> Farmers were active and keenly interested participants in nearly all of the tariff controversies of the nineteenth century, but seldom were they united either in support of or opposition to protective tariffs. The positions taken reflected sectional differences in attitude and economic

interest rather than a division between farm and non-farm groups.[4]

The importance of tariff policy to the Southern farmer can be seen in the struggle in the ante bellum Congress, culminating in the Civil War. Although the slavery question was important, the tariff issue played a critical role in the ferment. The stormy debate over protection *versus* free trade started with Hamilton's famous *Report on Manufactures* in December, 1791. In his report, Hamilton ignored the free-trade arguments of Adam Smith and instead advocated protection, resting his case on the infant-industry argument. Thus Hamilton asserted quasi-mercantilistic beliefs, and the discriminatory treatment imposed on colonial Americans by their mercantilist masters overseas, which sparked the Revolution, was thus partly replaced in kind.

Prior to Hamilton's report, tariff rates were characterized by expediency and a search for revenue. Afterwards, protectionism predominated. In March, 1792, Congress legislated a new tariff law, signed by President Washington, adopting eighteen of Hamilton's twenty-one suggested increases and raising the average level of tariff rates from 8.5 to 13.5 per cent. Sectionalism figured in the voting, with New England, for example, almost solidly in favor of increases.

Events in Europe played into the hands of the protectionists. The Napoleonic era, with Britain's blockade of Europe and America's entry into the hostilities in the War of 1812 against England, provided indirect but effective protection for American industries. "American

markets for American producers" thus became more than a slogan; it became a reality. But by 1815, such precarious wartime protection had vanished. The Union Jack reappeared in U.S. ports; the British unloaded—"dumped," said many Americans—their wares on American ports. Meanwhile, European blockades were lifted after Waterloo, and battlefields were reconverted into farm lands, sharply reducing prices of American agricultural commodities.

By 1819, a full-fledged depression was at hand. The war-born paper-currency and credit inflation contributed to the demoralized economic situation in the United States, and a multitude of citizens and politicians became advocates of more inflation and more protection. The tobacco- and cotton-exporting South, of course, objected to unwanted "protection"; the South would pay for the North's protection (although some Southern leaders, among them the later anti-protectionist John C. Calhoun, had supported the protective-tariff act of 1816). The agricultural middle Eastern and Western states of those days—New York, New Jersey, Pennsylvania, Ohio, and Kentucky—wanted protection not only of manufacturers but also of such agricultural products as wool, hemp, flax, wheat, corn, rum, brandy, and molasses. In those days, Northern agriculture was not dependent on exports, as was the cotton- and tobacco-producing South. Furthermore, Northern farmers were fighting against agricultural imports. Obviously, there could be no unanimity on the tariff question.

New England is a case in point in the conflict of interests among the industries of a single region. New Eng-

land shipping and commercial interests fought the higher duty impositions of 1816 and 1824. Hemp formed cordage; flax became sail duck; wheat and corn were lucrative shipping commodities; molasses and rum fed the liquor industry; and wool was the raw material of a rapidly growing textile industry. On the other hand, the New England manufacturers, many of them launched by the War of 1812, were almost solidly for protection, as were the New England farmers. Gradually, Congressmen favoring the New England shipping and commercial interests were outnumbered, so that by the late 1820's, New England's votes in the Congress could again be safely counted on as protectionist.

Conversely, the cotton-and-tobacco South, with cotton soon its king, had a heavy stake in European trade. And aside from their political transgression through support of the 1816 tariff, the Southern growers and their political leaders, according to Professor F. W. Taussig, increasingly

> grasped the fact that slavery made the growth of manufactures in the South impossible, that manufactured goods must be bought in Europe or in the North, and that, wherever bought, a protective tariff would tend to make them dearer. Moreover, Cotton was not yet King, and the South was not sure that its staple was indispensable for all the world. While the export of Cotton on a large scale had begun, it was feared that England, in retaliation for high duties on English goods, might tax or exclude American cotton.[5]

In the hands of the Jacksonian Democrats, the tariff issue became a political fulcrum to further their ambi-

tions. In the late 1820's, the Jacksonians pressed tariffs to a record high. For the Southern planters, the resulting "Tariff of Abominations" of 1828, "the black tariff," touched off strong indignation—Southern flags at half-mast, protest meetings, vindictive sermons, and so on—reaching a climax when South Carolina, under the leadership of Vice President John C. Calhoun, passed an "Ordinance of Nullification" in 1832 stating "that the tariff law of 1828, and the amendment of 1832, are null, void, and no law, nor binding on this State, its officers, or citizens."

President Jackson exploded at the news of South Carolina's action. He declared that he would "have the leaders arrested and arraigned for treason," adding that he was prepared, probably with Calhoun in mind, to "hang every leader . . . of that infatuated people . . . by martial law, irrespective of his name or political or social position."[6] Jackson then dispatched a warship and a fleet of revenue cutters to Charleston Harbor and reinforced the federal fort there. South Carolina backed down, and some moderation in the tariff question set in. But resentment smoldered in the agrarian South. The issue was anything but dead.

4. *Internal Improvements*

One of the problems of the commercial producer is to get his goods to market, and in order to do so, he must have a system of transportation. In this respect, farmers are no different from other commercial producers, although in the early days of the Republic, with the excep-

tion of the South, there was relatively little commercial farming. Farmers then were predominantly self-sufficient, ministering to their own food and fiber requirements and bartering here and there for their other needs. In the early days of the Republic, farm transportation was hardly a burning issue.

Yet Hamilton's and Jefferson's views on the transport problem, as on the land question, are again different and ultimately significant to agrarians and non-agrarians alike. Hamilton, ever the Federalist and patron of industry, wanted a federally built grid of roads and canals to aid commerce. He said in a memorandum to a Congressman that government canal-building would also be "a useful source of influence."[7] Jefferson, on the other hand, saw post roads as "a source of boundless patronage to the executive, jobbing to members of Congress and their friends, and a bottomless abyss of public money."[8]

Once in the Presidency, however, Jefferson, champion of the small, independent farmer, got a new perspective on "internal improvements." The new perspective probably arose from the intervening growth of commercial farmers seeking cheaper means of bringing their wares to market—and possibly from Jefferson's feeling the heady force of Presidential power (since called "Potomac fever"). At any rate, in 1806, he suggested to Congress that although a Constitutional amendment might be necessary, money from "the overflowing treasury" could be "applied in time of peace to rivers, canals, roads, arts, manufactures, education, and other great objects within each state." Later in 1806, he approved a law authorizing federal construction of the Cumberland Road

(sometimes called the United States or National Road) from Maryland to Ohio. With Jefferson's blessing, his Secretary of the Treasury, Albert Gallatin, made a national-transportation survey for the consideration of Congress, recommending, in 1808, a comprehensive federal system of canals, improved waterways, and roads from Massachusetts to the Carolinas and from the eastern seaboard to the middle western rivers.

The agrarians, too, pushed for "internal improvements," finding powerful spokesmen in Henry Clay of Kentucky, who voiced the demands of the Western farmers, and John C. Calhoun of South Carolina, who represented the Southern planters. In December, 1816, for example, Calhoun proposed that the $1,500,000 paid to the Treasury as the charter "fee" for the Second U.S. Bank, together with the dividends on the $7,000,000 of the Bank's stock owned by the government, be put into a special fund for constructing roads and canals. In launching his proposition, Calhoun, the voice of Southern agrarianism and later of States' Rights, argued:

> What can add more to the wealth, strength, and political prosperity of our country than cheapness of intercourse? It gives to the interior the advantages of the seaboard. It makes the country price, whether in the sale of raw product or in the purchase of the article to be consumed, come near to the price of the commercial town, and it benefits the seaboard by enlarging the sphere of demand. Were the pecuniary gains of the farmer or the merchant the only consideration, it might well be doubted whether a system of good roads and canals should not be left to individual enterprise. But there are far higher motives. The strength and political prosperity of the republic are concerned.... Let it not... be

forgotten . . . [that] vastness exposes us . . . to the worst of all calamities—dissension. . . . Yet good roads and canals will do much to unite us. Those who know the human heart know well how powerfully distance tends to break the sympathies of our nature. Nothing, not even the differences of language, so estranges man from man. Let us bind the republic together with roads and canals.[9]

Calhoun's proposal, embodied in a bill known as the "Bonus Bill," passed both houses by a close sectional vote. President Monroe vetoed the bill because he thought it was unconstitutional.

Meanwhile, Henry Clay was forging his "American System," an attractive political program which carried both "internal improvements" of roads and canals and tariff protection for American industry. Clay's American System was astute—the roads and canals would carry the farmer's products to the industrial East, and the industrial manufactures would travel the route back to the agricultural West; the farmer would support the tariff in return for the transportation project, and the industrialists would support the transportation projects in return for the tariff. Logrolling, then, was already a characteristic of American politics.

When John Quincy Adams became President, Clay had a powerful supporter in the White House. Appropriations for "internal improvements" during the John Quincy Adams administration jumped to twice the amount of all the previous appropriations combined. Whatever the needs of national transport, Congress had found a new pork barrel. Federal purchases of stock in improvement companies included the Chesapeake and

Delaware Canal Company (1825), the Louisville and Portland Canal Company (1826), the Dismal Swamp Canal Company (1826), and the Chesapeake and Ohio Canal Company (1828).

Two factors served to slow federal "internal improvements": Andrew Jackson and the technological advance of the "railway." In 1830, "A Bill Authorizing a Subscription of Stock in the Maysville, Washington, Paris and Lexington Turnpike Company" was passed by Congress but vetoed by Jackson, signaling a change of attitude in the White House. Jackson vetoed the bill partly because of personal and political animosity toward Henry Clay and others. In his veto message, he said that his grounds for the veto were unconstitutionality plus the Maysville Road's local and hence unnational character. During Jackson's administration, the Cumberland Road, most of which was built by the federal government, was turned over to the states through which it ran.

The second factor retarding federal "internal improvements"—the development of railways—was a powerful reason for the financial failure of the canals, already weakened by the Depression of 1837. Even with prosperity the canals were unable to compete with the efficient and ever growing railroads. New York State's Erie Canal, however, was a success (although protected by a legislature which long denied franchises for railroads in the Mohawk Valley). For a while the Erie Canal was the main artery of freight and passenger traffic between the Northeast and the West; travel time for freight between Buffalo and New York was cut from twenty days to six,

and the price per ton was decreased from one hundred dollars to ten dollars.

However, most of the canals, many of them built by states and subsidized by the federal government, operated with deficits year after year. For instance, the "Pennsylvania Public Works" system, utilizing canals, rivers, and railroads and originally estimated to cost $5,000,000, actually cost the state $32,000,000; Pennsylvania sold the main system to the Pennsylvania Railroad to avoid further losses.

Briefly, in state governments, as in the federal government, the agrarian element favored governmental intervention for cheap transport. These governmental ventures generally resulted in heavy losses to the public treasuries.

5. *Slavery*

"You dare not make war upon cotton. No power on earth dare to make war on it. Cotton is king!" Thus did Senator Hammond of South Carolina warn his Northern colleagues in 1858 during the cold war preceding Fort Sumter. The North took the dare; war was waged upon cotton, both economically and militarily.

The ante bellum South was practically a solid agrarian area. Cotton was indeed king, while sugar, tobacco, and rice were the princes. King Cotton's domain stopped at the Mason-Dixon line. The North had extensive industrialization and urbanization; in the South, by way of

contrast, less than 8 per cent of the population lived in towns of four thousand or more, and these communities were largely dependent on the agricultural hinterlands. To be sure, there was some Southern industry and commerce: iron works in Richmond, coal mining in Alabama, tobacco-products manufacturing in North Carolina, and a few cotton mills, some banks, and so on. As a rule, however, the plantation owner shipped his cotton north and contracted his banking, insurance, and overseas shipping through Northerners.

King Cotton thundered in the Congress, but his bark, the majority North and West believed, was worse than his bite. The Southern agrarians' struggle for what they regarded as survival has already been discussed in the fight over protection, which reached one boiling point in 1832. Concurrent with the tariff battle was the heat over the institution of slavery, an extreme intervention of the right to life, liberty and property guaranteed in the Constitution. In an early draft of the Declaration of Independence, Jefferson severely condemned the traffic in slaves. Between 1776 and 1800, all the Northern states abolished slavery, and by 1803, all the states, North and South, banned foreign slave trade. In Virginia and elsewhere in the South, tobacco growers and wheat farmers found free labor to be more economical than slave labor. Only cotton permitted a year-round utilization of slave labor and thus was profitable, though just barely. With the prohibition of foreign slave traffic, domestic slave breeding was inadequate to meet the demand, and slave prices went higher, diminishing or perhaps wiping out the thin margin of slavery's profitability.

Unfortunately, in this sense, Eli Whitney's cotton gin, perfected in 1792, prolonged the life of a dying institution. From the early nineteenth century, New England slavers flouted the anti–slave traffic law and plied the South Atlantic with their pitiful cargoes as never before. In 1776, there were about half a million slaves in the colonies; by the Civil War, there were more than three million. The agrarian South saw its balance of power waning in the new states in the prohibition of slavery. Each new state, allied with the Free States or with slavery, was critical. The contest over Missouri, beginning in 1818, was indicative of the strategy of both sides—the North demanded Missouri be free, the South that it be slave. A stormy Congressional battle resulted in the Missouri Compromise: the admission of Missouri as a Slave State and Maine as a Free State, with the prohibition of slavery north of the 36°30′ parallel in all the territory of the Louisiana Purchase outside Missouri. Of the compromise, John Quincy Adams prophetically noted in his diary: "I take it for granted that the present question is a mere preamble—a title page to a great tragic volume."[10]

The Mexican War occasioned Henry Clay's last great attempt to bind the North and South with the Compromise of 1850. In 1852 came the wildfire success of Harriet Beecher Stowe's *Uncle Tom's Cabin,* and in 1854, the Kansas-Nebraska Act, repealing the Missouri Compromise, was passed. Old wounds were reopened and new ones inflicted as Northerners and Southerners battled and bled in the struggle for control of the two territories. Then came the Dred Scott decision and John Brown's raid, and war fever ran higher.

In 1860, the Democratic national convention heard a plea from a Georgia delegate that the Northerners ought to "take off the ruthless restrictions which cut off the supply of slaves from foreign lands." The state of Virginia, he argued, was "more immoral" and "more unchristian" for making him pay "from $1,000 to $2,000 a head, when I could go to Africa and buy better slaves for $50."[11]

For the South, the last straw was Lincoln's minority election, along with the "Black Republicans." Lincoln received not a single Southern electoral vote. South Carolina seceded in December, 1860, and was followed by ten other Southern states. On assuming office, Lincoln swore to preserve the Union.

Then Fort Sumter. The war was on, a war created by intervention—the North with tariff intervention, the South with slave intervention—each side detesting the other for its intervention, each side guilty of intervention and guilty of foisting it on a weaker minority, each having pleaded in vain for the abolition of the other's intervention.

The twists and turns of the first "four score and ten years" of American history attest to the political pervasiveness of agrarianism, larded with *laissez faire* and mercantilism and reinforced with democracy. Democracy may well be the key to understanding the turbulence of the era, with two "popular" wars against foreign powers (England and Mexico) and a civil war that tore the nation in two.

Blocs (including the farm bloc), logrolling, parties,

filibusters, patronage, and many other appurtenances of modern politics were built into the Constitution. In 1787, for example, the Constitutional Convention decided on a Senate with two members from each state and a House of Representatives based on population. Thus a formula for a farm bloc which has wielded agrarian influence for more than 170 years was created. Farm-bloc senators, representing a minority of the people, could band together to enact legislation against the wishes of those representing a majority. They have done so many times.

In 1835, Alexis de Tocqueville, in his *Democracy in America,* saw the potential absolutism of blocs and majority rule, which he expressed as follows:

> In America the authority exercised by the legislative bodies is supreme; nothing prevents them from accomplishing their wishes with celerity, and with irresistible power, while they are supplied by new representatives every year. That is to say, the circumstances which contribute most powerfully to democratic instability, and which admit of the free application of caprice to every object in the State, are here in full operation. In conformity with this principle, America is, at the present day, the country in the world where laws last the shortest time. . . . The omnipotence of the majority, and the rapid as well as absolute manner in which its decisions are executed in the United States has not only the effect of rendering the law unstable, but it exercises the same influence upon the execution of the law and the conduct of the public administration. As the majority is the only power which it is important to court, all its projects are taken up with the greatest ardour, but no sooner is its attention distracted than all this ardour ceases.[12]

It was Northern democracy, agrarian and cosmopol-

itan, which overrode both the Constitutional recognition of the legal—if immoral—right of property in slaves and the Supreme Court's reaffirmation of that right in the Dred Scott decision. Chief Justice Taney said in his opinion:

> The right of property in a slave is distinctly and expressly affirmed in the Constitution. No word can be found in the Constitution which gives Congress a greater power over slave property or which entitles property of that kind to less protection than property of any other description.

It was Northern democracy, agrarian and non-agrarian, then, which overrode States' Rights and established once and for all the hegemony of the central government over the states. It was a stubborn Southern agrarianism which refused to abolish slavery, even when economic rationality dictated a critical re-examination of the institution. It was Northern and Southern agrarianism, along with other debtor elements, which sought and obtained inflation to ease mortgaged burdens and force higher commodity prices (and got, in the bargain, a series of depressions). It was agrarianism which brought about public-land policies which put more and more farmers onto smaller and smaller land parcels. It was agrarianism which sponsored political—and often uneconomic—"internal improvements" which a free market would rarely have sanctioned. It was a divided agrarianism which incongruously called for Northern protection and Southern free trade. Jackson and Lincoln, out of the West, evidenced the power of the agrarians. Was the power wisely

used? Perhaps an observation by Henry Adams in his *Education* supplies an answer:

> Modern politics is a struggle not of men but of forces. The men become every year more and more creatures of force, massed about central powerhouses.[13]

CHAPTER IV

From the Civil War to World War I

It is the business of the citizens to support the Government, not of the Government to support the citizens.
—Grover Cleveland
(Message to Congress in 1887 vetoing a bill to provide $10,000 worth of free seed for Texas drought farmers)

1. *The Farm Organization Movement*

Before 1800, farmers had much less incentive to organize farm lobbies and engage in pressure politics than afterwards. For one thing, as the first census of the population (1790) revealed, only one citizen in ten did not earn at least part of his livelihood from the soil. Thus local and national politicians could hardly help but support that industry in which almost their entire electorate was engaged. Political organization to protect agriculture was not necessary. Foreign farm competition in American markets was no great problem. And, finally, commercial farming was but a relatively small part of early American agriculture and then largely limited to staples, such as cotton, tobacco, and indigo in the South and wheat and corn in the North. Subsistence farming was still the rule.

What farm organization there was largely consisted of regional "agricultural societies," which primarily spon-

sored study and experimentation for agricultural production. For example, the South Carolina State Agricultural Society, founded in 1785, used a tract of land for various sorts of agricultural experiments. Similar societies were formed in New York (1791), Massachusetts (1792), and Connecticut (1794). Some societies tried to collect statistics, while others sought to strengthen family ties and improve farm morale—in a word, to practice "uplift."

By the Civil War, however, the relation of the farmer to his government had shifted. The farmer, moreover, was by that time largely a commercial operator, feeding the growing cities in the East and in Europe. The events which led up to the Civil War focused public attention on the growing power of the national government. The Union triumph made the government supreme. Local political groupings had to give way to regional and national groupings. In many areas, especially throughout the Northeast, agriculture was yielding first place among industries to manufacturing and commerce. Politicians thus had to serve other interests besides agriculture, and some of these interests commanded great and influential wealth. Finally, the tempo of political organization was to accelerate, as de Tocqueville had foreseen in 1835 in his *Democracy in America.* Merchants formed "chambers of commerce," manufacturers set up various associations, and working men began to form unions, with national unions appearing in the 1850's. Farmers could hardly be left without organization of their own, they believed; political power was in the balance.

The trend toward organization and centralization resulted in Lincoln's establishment of the forerunner of the

U.S. Department of Agriculture in 1862. Earlier, in 1820, the House had set up a committee on agriculture; in 1825, the Senate followed suit. The land grants to railroads were largely the result of agrarian sentiment for cheap transport and the opening of new land. The Morrill Act provided land grants for state agricultural colleges, and the Homestead Law gave free land to cultivators. Congress, in the act establishing the Bureau of Agriculture, declared in 1862:

> [The responsibilities of the Bureau] shall be to acquire and diffuse among the people of the United States useful information on subjects connected with agriculture in the most general and comprehensive sense of that word, and to procure, propagate, and distribute among the people new and valuable seeds and plants.

The Bureau's first annual appropriation amounted to eighty thousand dollars. Such was the beginning. In contrast, President Eisenhower requested some $6.4 billion for the operation of the Department of Agriculture for the fiscal year 1960.

In a way, the Bureau was responsible for the founding of the National Grange, the first powerful, truly national farm organization. In 1866, the United States Commissioner of Agriculture sent Oliver H. Kelley, a clerk in the Bureau and a transplanted farmer, to the South to investigate postwar farm conditions. Kelley was shocked by what he found, and he determined to do something beyond reporting to the Commissioner. Farmers would be helped, he reasoned, by political organization. The National Grange of the Patrons of Husbandry, founded

in 1867, was the result. The early Grange struggled for existence; at the third annual meeting, Worthy Master William Saunders made his inaugural address to a grand audience of one, Secretary Oliver H. Kelley.

The Depression of 1873 accelerated the growth of the Grange. The railroads were in trouble, and farmers who had helped sponsor and finance them lost heavily. To recoup losses, some railroads raised their rates, and many farmers believed that they had been gouged. Worse, farm prices fell to disastrous levels, and farmers suspected price rigging by grain dealers and commission agents. Money was scarce and rates high, and bankers, in turn, were suspect. With these economic ills, the Grange seemed to be a welcome means of applying political and economic pressure; its membership increased, approaching the million mark. Declared one early National Grange convention:

> We propose meeting together, talking together, working together, buying together, and in general acting together for our mutual protection and advancement as occasion may require.[1]

In Illinois, the state Grange successfully fought for railway and warehouse regulation. Other Granges took up the battles for credit, silver, prices, tariffs, and so on. Economic panaceas were tried—Grange-owned stores, cooperatives, creameries, and grain elevators were common. The Iowa Grange, with the blessing and aid of the National Grange, even went into the manufacturing of farm equipment. The Iowa Grange turned out 250 harvesters in 1874, but its factory failed in 1875, bankrupt-

ing the state Grange and bringing patent-infringement suits against the National Grange. Other economic ventures were just as disastrous. Membership, which had reached 858,000 in 1875, collapsed to 124,000 in 1877.

Too late to stem the exodus, the U.S. Supreme Court, in 1876, upheld warehouse (grain elevator) rate regulation by the states in *Munn* v. *Illinois,* the first of the "Granger cases." Chief Justice Waite, rendering the decision, argued that warehousing was so "affected with a public interest" that the state of Illinois was within its legal rights in setting elevator rates. To Munn's complaint that rates were so low that they constituted the seizure of his property without due process, the Court held that no judicial question was involved. The solution for uneconomic rates lay at the polls and not in the courts. (Clearly, the Court had opened a Pandora's box—if warehousing rates could be set by the states, so could rates for shoeshines, haircuts, eggs, manuscripts, appendectomies, and fountain pens—for *all* industries are "affected with a public interest.") The Grangers had inadvertently opened the way, then, for the eventual regulation of their own industry—farming—even though the Court later retreated on its "industries affected with a public interest" concept.

Despite its time of adversity, the Grange survived. After the decline of the Populist movement—William Jennings Bryan, the Populist and Democratic candidate for President, was a three-time loser—the Grange again considered itself the spokesman for American agriculture. In its organ, *The National Grange Monthly,* the

Grange set forth its legislative aims in November, 1911, as follows:

> The Grange favors: 1. Federal aid for road improvement. 2. A Parcels Post law. 3. Conservation of natural resources. 4. Direct election of U.S. senators. 5. A nonpartisan Tariff Commission. 6. A national income tax. 7. Effective railroad regulation. 8. Peace and universal arbitration.
>
> It is opposed to: 1. Ship subsidies. 2. A central United States Bank. 3. Amendment of the oleomargarine law in the interests of imitation butter.[2]

In the 1870's, the decline of the Grange was offset by the rise of the Farmers' Alliance, started as the Texas Alliance in 1875. The program which the Alliance adopted at its 1889 meeting in St. Louis included the abolition of national banks, free coinage of silver, issuance of fractional paper money, prohibition of futures trading in agricultural commodities, and "that the means of communication and transportation shall be owned by and operated in the interest of the people as is the United States postal system."[3] Said L. L. Polk, president of the Alliance, to the Senate Agriculture Committee:

> From all sections of this magnificent country comes the universal wail of hard times and distress. The farmer sows in faith, he toils in hope, but reaps in disappointment and despair. . . . We protest, with all reverence, that it is not God's fault. We protest that it is not the farmers' fault. We believe, and so charge, solemnly and deliberately, that it is the fault of the financial system of the Government—a system that has placed on agriculture an undue, unjust, and intolerable proportion of the bur-

> thens of taxation, while it makes that great interest the helpless victim of the rapacious greed and tyrannical power of gold. . . . Our currency has been contracted to a volume totally inadequate to the necessities of the people and the demands of trade, and with the natural and inevitable result—high-priced money and low-priced products.[4]

The Alliance showed surprising strength in the 1890 election. Forty members of the new Congress were pledged to support its demands.[5] The political aims of the Alliance pushed it into the Populist movement, where it was to sink or swim with the fortunes of William Jennings Bryan. It sank.

The Farmers' Educational and Cooperative Union of America, founded by Isaac Newton Gresham in Emery, Texas, in 1902, garnered many of its members from the Farmers' Alliance. The Union has survived to this day, and its present philosophy is one of more government intervention in agriculture. Originally, the Union, then fairly clear of politics, undertook co-operatives. In Nebraska and Kansas, the Union established co-operative grain and livestock selling. In 1910, it boasted of warehouses in every cotton state of the South. The Union's constitution, as of 1914, listed the following aims:

> To secure equity, establish justice and apply the Golden Rule.
>
> To discourage the credit mortgage system.
>
> To assist our members in buying and selling.
>
> To educate the agricultural classes in scientific farming.
>
> To teach farmers the classification of crops, domestic economy, and marketing methods.

To systematize methods of production and distribution.

To eliminate gambling in farm products by Boards of Trade, cotton exchanges, and other speculators.

To bring farming up to the standard of other industries and businesses.

To secure and maintain profitable and uniform prices for cotton, grain, livestock, and other products of the farm.

To strive for harmony and good will among all mankind and brotherly love among ourselves.

To garner the tears of the distressed, the blood of the martyrs, the laughter of innocent childhood, the sweat of honest labor, and the virtue of a happy home as the brightest jewels known.[6]

The Farmers' Union was matched for a time by the American Society of Equity, also founded in 1902 and likewise engaged in co-operative enterprises. The Equity Society soon died; its remnants were absorbed by the Farmers' Union.

Today's biggest farm organization, the American Farm Bureau Federation, grew out of a grouping of county "bureaus of agriculture," whose main job had been to hire agricultural agents to practice vocational education and self-help. The agricultural agents were men hired by counties to demonstrate scientific farming techniques to farmers. Sears, Roebuck and Company gave impetus to the county-agent movement by offering one thousand dollars to any county employing an agent. The Smith-Lever Act of 1914 established the U.S. government in the business of sponsoring county bureaus by providing funds to states which would, in turn, match funds for the establishment of additional county bureaus.

Similarly, the Emergency Food Production Act of 1917 authorized more federal funds to hire additional county agents, for, as government propaganda put it, "Food will win the war." The stimulus worked. In July, 1917, there were 542 county agents in the country; a year later, there were 1,133. The county bureaus, which farmers were invited to join, formed state federations. In 1919, a national association, "The American Farm Bureau Federation," was launched, with headquarters in Chicago and later a legislative office in Washington.

2. *Money*

Lincoln's Secretary of the Treasury, Salmon P. Chase, suffered the occupational disease common to all of our wartime treasury secretaries: inflation. Secretary Chase, with the authorization of Congress, issued almost $450,000,000 in nonredeemable United States notes—"greenbacks," as they were known—with the usual results of steeply rising prices and the easy way out for farmers and other debtors to pay off mortgages and other debts with cheap money. Prices doubled by the end of the war. The Western farmer saw his wheat rise to two dollars a bushel. The value of the greenback dollar in terms of gold was roughly a reciprocal of the extent of inflation, and this varied with Northern military successes or reverses. Its value fell to eighty-seven cents in July, 1862, seventy-seven cents in July, 1863, thirty-nine cents in July, 1864, and with the final Union victory rose to seventy cents in July, 1865. Commodity prices, especially farm prices, soared throughout the war but broke sharply in 1866.

Meanwhile, the Confederacy also trod the inflation road and authorized the issue of more than one billion dollars in Confederate money (in addition to perhaps another billion issued by Confederate states, municipalities, banks, and business houses). Southern creditors thus suffered, to a greater extent, the fate of their Northern counterparts, being paid in heavily depreciated currency. At war's end, the Southern financial problem was worsened by the emancipation of all slaves without compensation to the owners and by the invalidation of the entire Southern public debt. Southern manhood had been cut down. Fortunes were swept away, financial arrangements were a hopeless muddle, plantations were broken up, and the carpetbaggers descended on the land like a swarm of locusts.

To make matters worse, depressions followed in the wake of inflation, a minor one in 1866 and a major one in 1873. The depressions revived the money issue, and the old contest of inflation *versus* sound money recurred. Were the greenbacks to be retired and specie payments resumed? The business, banking, and commercial interests of the East said yes; the agrarians of the West and South said no. Most farmers were debtors. All farmers, moreover, were concerned with the drop in crop prices and feared that retirement of the greenbacks would cause a further price drop.

In the face of such opposition, Secretary of the Treasury Hugh McCulloch attempted a bold solution. In December, 1865, he publicly declared that the wartime legal-tender acts were unconstitutional and that specie payments should therefore be resumed. In April, 1866,

a funding act empowered the Secretary of the Treasury to retire the outstanding greenbacks bit by bit, but by February, 1868, the tide for sound money had been reversed. Congress ordered the Secretary to halt the greenback retirement. The farmers of the West and the reviving South were now exerting their political power.

Greenbackism—the preservation, and even expansion, of the legal-tenders notes—became a political crusade. Greenback clubs sprang up on the prairies and elsewhere. The Greenbackers took aim at the national banks, which would not lend money on real estate, the only collateral most farmers had. The Depression of 1873 provided the opportunity to cement the Greenback clubs into a fighting political organization, the Greenback party. Essentially an agrarian-labor alliance, the Greenback party was formally founded in Indianapolis in 1874. It demanded an "elastic" paper currency and the continuance of specie suspension and other "reforms" radical for that time.

To answer the inflation argument, Professor William Graham Sumner of Yale wrote a history of American currency, and, finding no substitute for currency redeemability, he declared:

> We have seen in the history of the Massachusetts colony that each new issue was followed in a few years by a new crisis, and an outcry about hard times and scarce money. The law which governs this is apparent. The rise of prices and multiplication of credit operations will go on to absorb any amount of currency whatever. If then, the amount be fixed, the expansion must come up to and press against this fixed barrier. This pressure will become apparent first at that season of the year at which

> the normal requirement is greatest. At that time there will be great distress occasioned by the need of withdrawing currency from the use in which it is engaged. As it cannot be imported, and the law forbids its increase, there is no relief. It must be withdrawn, and the consequences must be endured. Then it is said that the currency is not elastic, and schemes are invented for making it so; but no device whatever can make it elastic. An elastic body is one which will both expand and contract, but a paper currency never contracts itself. *Any device which has elasticity for its object will have expansion for its effect.*[7]

In 1878, a million votes were tallied for the Greenbackers. Specie resumption, however, commenced in 1879, and the Greenback party steadily slipped and went into oblivion in the 1884 campaign.

In the Congress, the contest between the sound-money men and the inflationists had been close. In January, 1875, the lameduck Republicans, defeated in 1874 on the depression issue, passed the Resumption Act, which provided for the retirement of all but $300,000,000 of the greenbacks and the resumption of specie payment on or after January 1, 1879. In 1878, however, the Greenback elements mustered sufficient votes in Congress to freeze in permanent circulation greenbacks in the amount then outstanding, $346,681,000, an amount which has remained unchanged ever since, a relic of the Civil War. For all the agitation, resumption came off smoothly. When the New York Sub-Treasury opened its doors on the first day of redeemability, a total of only $135,000 in greenbacks, which quickly rose to par, was presented for coin.

The inflationists had still another weapon: silver. In 1859, the Comstock lode was discovered at Virginia City, and, along with subsequent silver strikes, it fed an increasing stream of silver into the market, thereby driving the price of silver downward. But in 1873, with the greenbacks in circulation, silver was still relatively dear, commanding a higher price in the open market than at the mint. Seemingly superfluous to monetary needs, the silver dollar was barred by the 1873 mint reform act. As the price of silver continued to fall, however, the mint price of silver became higher than the market price. The silver producers then "discovered" the prohibition clause in the 1873 law. A howl arose. The silver interests, joined by the Western farmers, denounced the "Crime of '73." The inflationary movement took on new life. Agrarian congressmen hailed silver as "the people's currency"; gold was the money of the "aristocracy." Senator J. T. Morgan of Alabama declared:

> Silver enjoys this natural supremacy among the largest number of people because the laboring people prefer it. They use it freely and confidingly. It is their familiar friend, their boon companion, while gold is a guest to be treated with severest consideration; to be hid in a place of security, not to be expended in the markets and fairs. It is a treasure and not a tool of trade with the laboring people. A twenty-dollar gold piece is the nucleus of a fortune, to remain hid until some freak of fortune shall add other prisoners to its cell. But $20 in silver dimes is the joy of the household, the substance of things hoped for, the evidence of things not seen. . . . Silver is the great artery of commerce—what the mountain springs are to the rivers. It is the stimulant of industry and production

in the thousands of little fields of enterprise which in the aggregate make up the wealth of the nation.[8]

The result of the agitation was the Bland-Allison Act of 1878. President Hayes bravely vetoed the bill; his veto was quickly overridden. The Act called for the renewed coinage of silver dollars and the monthly purchase of between two and four million dollars in silver by the Treasury. In 1890, during a depression, Congress passed the Sherman Silver Purchase Act. The Sherman Act required the government to advance its silver purchases to four and one-half million ounces per month. To secure its passage, Westerners voted for the highly protective McKinley Tariff wanted by the East; the Easterners, in turn, supported the Sherman Silver Purchase Act. Each side paid a stiff price. In 1893, during a severe business crisis, the East backtracked and voted the Act's repeal, which was accomplished against the farm- and silver-bloc resistance in a special session of Congress called by President Cleveland. In his message to Congress, Cleveland asserted that silver was driving gold out of circulation while dangerously depleting the government's gold reserve. Silver, in accordance with Gresham's law, had been becoming a *de facto* standard.

The sagging farm prices of the early 1890's were made a political issue by the Populist movement of agrarians and silverites. The solution: unlimited coinage of silver, meaning, in effect, full-scale inflation. In their St. Louis platform of 1892, the Populists declared:

The national power to create money is appropriated to enrich bond-holders; a vast public debt payable in legal-tender currency has been funded into gold-bearing

bonds, thereby adding millions to the burdens of the people.

Silver, which has been accepted as coin since the dawn of history, has been demonetized to add to the purchasing power of gold by decreasing the value of all forms of property as well as human labor, and the supply of currency is purposely abridged to fatten usurers, bankrupt enterprise, and enslave industry. A vast conspiracy against mankind has been organized on two continents, and it is rapidly taking possession of the world. If not met and overthrown at once it forebodes terrible social convulsions, the destruction of civilization, or the establishment of an absolute despotism.[9]

By 1896, the Populists had found their man in William Jennings Bryan, "The Commoner," the "silver-tongued orator." Bryan, a Nebraska Congressman and editor of the *Omaha World-Herald,* embraced the Populist program, which called for free silver, the graduated income tax, government ownership and operation of the railroads and telegraph lines, the eight-hour day, restrictive immigration, the abolition of "a large standing army of mercenaries, known as the Pinkerton system," and the direct election of United States Senators. At the Democratic convention, Bryan won the Presidential nomination with his famous "Cross of Gold" speech. In delivering it, Bryan cleverly addressed his triumvirate of interests: the farmer, the silverite, and the laborer. To the farmer he said:

You come to us and tell us that the great cities are in favor of the gold standard; we reply that the great cities rest upon our broad and fertile prairies. Burn down your cities and leave our farms, and your cities will spring

up again as if by magic; but destroy our farms and the grass will grow in the streets of every city in the country.[10]

Silver-tongued oratory, coupled with free silver—"a cause as holy as the cause of humanity"—could not bind the gold Democrats to the party. They broke away to form a separate ticket. McKinley, and gold, won. And again in 1900. The inflation struggle was temporarily over. In 1900, the Republican Congress passed the Gold Standard Act, which put the U.S. currency on a single metallic basis. The farmers' fascination for monetary panaceas was overshadowed by rising farm prices from 1900 to 1914, not to be seriously considered again until the New Deal.

In July, 1916, the agrarians, in office and out, reasserted their distrust of the "bankers" and "Wall Street" through their winning of the Federal Farm Loan Act. The Act created a Federal Farm Loan Board to direct the activities of the "Federal Land Banks" in twelve districts. Each bank was to lend money on first mortgages through "National Farm Loan Associations." The government's intervention resulted in easier credit terms for farmers than ordinary local bank loans could have provided. The government thus stimulated a greater investment in agriculture than would otherwise have come from non-intervention. At any rate, the government was now in the farm-mortgage lending business.

3. *The Income-Tax Struggle*

A detestation of taxes is a universal attribute of mankind, and farmers provide no exception to this fact. In

1794, the farmers of western Pennsylvania took up arms against the federal government's whisky-tax collectors in the Whisky Rebellion. The insurrection, met by a strong military force personally led by Washington and Hamilton, soon withered. The aversion to taxes can also be seen in the Founding Fathers' restriction against direct federal taxes other than those apportioned among the states "according to their respective numbers," that is, an equal tax. Indirectly, the federal government could tax the people through import tariffs and excise taxes. All direct federal taxes had to be equal taxes, for the Constitution in effect strictly barred an income tax.

During the Civil War, the bar was dropped by Congress (without, of course, the concurrence of the then Confederate South). The wartime federal income-tax law carried the terminal date of 1870. Some Congressmen had tried to call it an "excise tax" during the debate, thereby presumably giving it some conformity to the Constitution. It was probably understood that the law was unconstitutional, but war and expediency was the order of the day. The tax expired as scheduled.

An income-tax precedent had been set; another income tax was soon to follow. After the war, the West, like the South, became an export region, "the breadbasket of Europe." Farmers began to realize that tariffs were becoming, in effect, impositions against their farm products. Tariffs were, in the Democrats' "educational campaign," privileges extended to a small group in the East. The Democrats, with much of their strength stemming from the agrarians, were steadily becoming known as the party of free trade.

It was out of the tariff struggle that the second income tax emerged. During the Populist fever, agrarians and others advocated a renewed income tax. In 1893, a depression year, Democratic President Cleveland asked Congress to lower tariffs and to make up the loss in revenue with a corporate income tax. Congress went beyond and passed a bill calling for a 2 per cent tax on *all* incomes and deeper tariff cuts than the President had proposed. During the debate, Senator William A. Peffer of Kansas expressed an agrarian viewpoint when he said:

> The only object we have in view in presenting this amendment [income tax] is to rake in where there is something to rake in: not to throw out the dragnet where there is nothing to catch. The West and the South have made you people [Easterners] rich.[11]

In 1895, the Supreme Court decided that the income tax was unconstitutional. The decision held that the income tax was a direct tax and the Constitution declared that "no capitation, or other direct tax shall be laid, unless in proportion to the census or enumeration herein before directed to be taken."

The income-tax proponents, including almost all of the agrarian interests, then tried to amend the Constitution to win a federal income tax. In less than twenty years, they were successful. The Sixteenth Amendment authorized Congress to lay and collect taxes on income "without regard to any census or enumeration" and without any limitation on rates. It was a blank check. The income tax, though it was probably not fully realized in

1913, was the catalyst whereby the government was transformed from a limited government of expressed powers to an unlimited government with unspecified powers. Government-centralizing laws were in the offing, the first of which, the Smith-Lever Act, emerged in 1914 when the Agricultural Extension Service was started with an appropriation of $480,000. "Agricultural extension" meant that farmers and their wives were to be shown how to do their chores better through demonstrations and lessons by county agents and home-demonstration experts. Along the same lines, in 1917, the Smith-Hughes Act made federal money available for agricultural vocational education in the elementary and secondary schools.

4. *The Tariff Question*

After Appomattox, the South, with its belief in free trade, was impotent politically, if temporarily. The question of tariff policy was relatively quiescent, and protectionism was largely unopposed. When the West grew in political strength as new states were admitted to the Union, and homesteaders and Civil War veterans cultivated virgin soil, and when the South partly recovered from war and "reconstruction," tariff policy again became a partisan issue. Western agriculture became, to quite a degree, dependent on European markets; Southern cotton had always needed the British and French mills for outlets. In 1872, the Dawes Act authorized a 10 per cent blanket reduction in tariffs, but by 1875, the Eastern interests were able to repeal the Act and restore

the old rates. The Republicans, mindful of growing numbers of voters who carried lunch pails, declared in their 1876 platform: "The [tariff] duties levied for the purpose of revenue should so discriminate as to favor American labor."

The protectionists were rarely out of power up to 1913. In the McKinley Tariff of 1890, the Republicans ostensibly brought the farmers into a tariff partnership by providing protection for them. Duties on barley were increased from ten cents per bushel to thirty cents per bushel, corn from ten cents per bushel to fifteen cents per bushel, potatoes from fifteen cents per peck to twenty-five cents per peck; eggs went off the free list and were protected by a duty of five cents per dozen; duties on meats were doubled. Yet many of these protected farm commodities were being *exported,* not *imported.* Farm protection was thus a parliamentary maneuver, a smoke screen for industry protection. Democratic victory in 1892 resulted in the frustrated Wilson-Gorman Tariff Reduction Act, crippled by 633 logrolling amendments. Republican victory in 1896 brought about the Dingley Tariff, the highest tariff in American history. The pattern was repeated with the Taft triumph in 1908—the Payne-Aldrich Tariff was again a case of high protectionism, characterized as "unjust and unfair to farmers" by the Grange.[12] With the Wilson triumph in 1912, however, the protectionist tide ebbed. The Democratic Underwood Tariff of 1913 lowered duties and transferred to the free list many products that were formerly protected.

5. *The Anti-Trust Movement*

Historically, the agrarians have been distrustful of industry. Perhaps the distrust stemmed from the rural suspicion of cities. Or maybe it arose because of industry's successful fight for protection, resented by the export farmers. Or perhaps it was a matter of having to buy fertilizers, transportation, warehousing, and farm equipment from "the corporations," whose prices were relatively stable compared to farm prices. Or perhaps it was a matter of finding a scapegoat for low prices. In 1880, for example, the Greenbackers denounced corporations and demanded government action against them. The Grangers similarly opposed "the monopolies" and called for laws and court action, especially against railroads and warehouses, in the "Granger cases." The Populists were so strongly "anti-monopoly" that they would, if empowered, nationalize the railroads and the telegraph companies. Agrarian sentiment against "the trusts" and "Wall Street" was reinforced by attacks on big business in such national magazines as *McClure's* and *Collier's* and in such books as Upton Sinclair's *The Jungle* and Ida Tarbell's *History of the Standard Oil Company* throughout this period and into the New and Fair Deals.

The result of the agitation was a new and powerful regulatory role for the federal government. This was reflected by the passage of the Interstate Commerce Act of 1887, which established the Interstate Commerce Commission to regulate the railroads; the Sherman Anti-Trust Act of 1890; the Hepburn Act of 1906, which empowered the I.C.C. to set railroad rates; the Pure Food

and Drug Act of 1906; the Clayton Anti-Trust Act; and the Federal Trade Commission Act of 1914. Importantly, from a political viewpoint, the Clayton Act specifically exempted farm and labor organizations from the anti-monopoly laws. For labor, Samuel Gompers of the American Federation of Labor hailed the Clayton Act as the workingman's "industrial Magna Carta." Under the United States Warehouse Act of 1916, the government was granted licensing power over grain and cotton warehouse operators in interstate commerce. In 1921, the Packers and Stockyards Act took regulatory control over meat-packing and stockyards away from the states and put it into the hands of the federal government.

In the period from the Civil War to World War I, changes were made in farm policy and in the farmer's position. The United States was transformed from a predominantly agrarian economy to a predominantly industrial economy. This meant that the Senators and Representatives from, say, New York, Pennsylvania, and New Jersey, now "industrial" states, could no longer be counted on as "the farmer's friend," for Eastern Congressmen had new interests to represent. Further, it meant that in order to achieve their aims, farmers would naturally feel compelled to organize into political groups, an American tendency noted in 1835 by de Tocqueville as follows:

> In no country in the world has the principle of association been more successfully used, or more unsparingly applied to a multitude of different objects, than in America. Besides the permanent associations which are estab-

lished by law under the names of townships, cities and counties, a vast number of others are formed and maintained by the agency of private individuals.[13]

And so farmers in the post–Civil War period organized as Greenbackers, Grangers, Populists, and so on for a variety of objectives, many of which were achieved. The agrarian fight for cheap money via Greenbackism and free silver failed, but few could doubt the strength of the sponsors.

That strength did not fail in the case of the passage of the revolutionary Sixteenth Amendment to the Constitution. The income tax radically altered the political structure devised by the Founding Fathers. The Sixteenth Amendment was immediately followed by a program of federal patronage and grants-in-aid. Each year after the passage of the Sixteenth Amendment, under the general-welfare clause of the Constitution, Congress saw the "need" (and the ability) to pass more general-welfare legislation with ever larger appropriations. Congressmen were generally expected to bring home their share of the new-found federal money; if they didn't, re-election was uncertain. The greatly enlarged federal pork barrel—the rivers-and-harbors bills, the post office bills, and so on—was made possible by the Sixteenth Amendment.

The federal government won regulatory control over railroads, corporations, packers, stockyards, and grain and cotton warehousers. The political structure was changed. And the change in "farm policy" was to become more drastic than any farmer had ever seen.

CHAPTER V

From World War I to World War II

Food Will Win the War!
—American slogan in World War I

1. *"Breadbasket of Democracy"*

Except for the extent of governmental interference, the "farm problem" is not unique, as industrial problems go. Every industry has the problem of adjusting supply to demand. In this sense, then, each industry has a problem for which the market is the solution, the only efficacious solution. There is, for example, a "transportation problem," a "paper-manufacture problem," a "bituminous-coal problem," and so on, as well as a "farm problem." Each industry must achieve an equilibrium between production and consumption, with consumers freely directing the extent of their consumption and the composition of that consumption. The market—consumers and producers—will therefore determine the greatest possible volume of production of each commodity, consistent with what consumers want to pay. What makes the farm problem unusual is the distortion of the market by enormous governmental intervention, with consequent and pro-

longed disequilibrium between supply and demand.

It was not until after World War I that the phrase "the farm problem" came into wide usage. Of course many problems plagued the farmer long before the First World War—weather, insects, plant and animal diseases, a long production cycle, widely fluctuating commodity prices, and so forth—and the government, politically responsive to pressure, had frequently intervened on behalf of farmers before the war. Previous pages in this volume show farm intervention going back to the very origin of the Republic; in fact, farm intervention can be traced back to antiquity: the Romans' burning of vineyards to stem "overproduction" of wine, for example, and Joseph's "ever normal granary" in Egypt to "stabilize" production and prices.

The events which precipitated the present-day farm problem were, first, the European phase of the First World War and then America's entry into the war. Up to the outbreak of the war, American agriculture had been experiencing what some writers have called its "Golden Age." The West was largely settled—little new acreage was going into production; Europe, undergoing an extensive industrialization, was an enormous and growing buyer of American farm commodities (though exports, as a percentage of production, were shrinking because of the growth of the domestic market); immigration into the big American cities was providing growing urban consumption. In short, farm-commodity and farm land prices were relatively high and trending upward. What more could a farmer ask? Still higher prices!

Much higher prices were to result from the assassination of Archduke Francis Ferdinand at Sarajevo and the swift conversion of European farmland into battlefields. World wheat prices rose. U.S. farmers filled the breach; U.S. wheat acreage jumped from 53,500,000 acres in 1914 to 60,500,000 acres in 1915. But the good fortunes of wheat were offset by the misfortunes of cotton. Cotton exports were hurt by the war involvement of Britain and France, cotton's two best overseas customers. Cotton fell from 12.4 cents per pound in June, 1914, to 6.3 cents in November, 1914. Ultimately, however, war and postwar demand boosted the cotton price to around 40 cents per pound in early 1920. Wheat, priced at $1.06 per bushel in Chicago in June, 1916, soared as high as $3.40 per bushel in May, 1917. The American farmer had hit a bonanza.

For farmer and non-farmer alike, the United States' declaration of war came upon the once isolationist public like a call for another Crusade. Although Woodrow Wilson had in 1916 run on a platform of "He Kept Us out of the War," war fever ran high. After all, this was "The War to End War" and the war to "Make the World Safe for Democracy." Farmers were especially moved by "Food Will Win the War."

War excitement, high food and other commodity prices, and the vast material needs of the U.S. armed forces and those of the Allies plunged the federal government into interventionist action. The United States Food Administration was established, with Herbert Hoover as its administrator. The Food and Fuel Control Act was passed, enabling the government to control and

guarantee the price of wheat and other commodities. Homesteading was accelerated: 320 acres instead of 160 acres was permissible on certain lands, and 240,000,000 acres of unallotted public land were thrown open to farmer and herdsman. Western agricultural production was quickened through the easing of restrictions on immigration quotas from below the Rio Grande; a Sugar Equalization Board was founded to buy up the entire Cuban sugar output, pool it with the domestic crop, and ration it here and abroad (U.S. citizen's monthly quota: two pounds); a United States Grain Corporation was set up to establish "fair prices" and handle grain operations (trading in futures was not resumed on the Chicago Board of Trade until July 15, 1920). For the 1919 wheat crop alone, $1,000,000,000 was appropriated "for the maintenance of the guaranteed price." The Grain Corporation made allocation and price agreements with 20,000 flour millers.

War intervention and bureaucracy were by no means limited to agriculture. Under the direction of Bernard Baruch, the War Industries Board carried out an unprecedented industrial mobilization; the War Labor Board sought to arbitrate labor disputes and "stabilize" wages; the Railroad Administration under Secretary of the Treasury W. G. McAdoo took over the operation of the nation's railroads; the Emergency Fleet Corporation undertook the construction of twelve hundred vessels ("Ships Will Win the War"); and so on. Government control was the answer to war production. The free market was set aside, and precedents for vast peacetime intervention were established.

Agriculture's Golden Age—the first decade and a half of the twentieth century—had been welcome, but the war years, especially when America entered the hostilities, were seemingly an agricultural Elysium, that is, until the largely unforeseen postwar farm depression. The roots of this depression are not hard to find. Twenty million additional acres of wheat and five million acres of rye had been brought into production by wartime demand. There had been an increase of more than 20 per cent in the cattle and hog population. Prices climbed to record heights. Cotton rose to five times its prewar price. Wheat reached $3.40 per bushel, corn $2.00 per bushel, hogs $19.00 per hundredweight. Good cornland in the Middle West went for five hundred dollars an acre, a price never before approached. The Federal Farm Loan Act provided cheap credit, and farm indebtedness doubled. Submarginal land was put into production under long-term mortgage debt. Meanwhile, European farm production was out of competition "for the duration." The world market seemingly belonged to the American farmer, but not for long. The basic foundation for a severe farm depression had been laid.

2. *Disillusion and Reaction*

From battlefield to plowfield, from uniform to overalls, farm and farmer "returned to normalcy" the world over. The return was reflected in the price of wheat in Chicago: $2.76 per bushel in 1919; $1.44 in 1920. Similarly, cotton slumped from forty cents per pound to fourteen cents. Soon after the Armistice, the American wheat

grower had to compete as never before with wheat-growing farmers in Canada, France, Argentina, and Australia. The squeeze between cost and price was on. Farm overhead, of little consequence with forty-cent cotton and three-dollar wheat, quite suddenly became burdensome. Mortgage payments, predicated on high land prices, which, in turn, were predicated on high crop prices, plagued the farmer as he saw his receipts dwindle. Not only mortgage payments but also the relative rigidity of prices of farm equipment and supplies worsened the difference between low farm income and high farm costs. Prices of manufactured goods also declined but recovered in a year or so. In contrast, prices of farm products remained low for a generation. For the farmer, wartime prosperity was over, and he would not see it again until the next war. In the cold winter of 1921, Dakota and Nebraska farmers burned corn for fuel and bartered meager commodities for clothing.

Meanwhile, what to do? Pressure groups were soon clamoring for action by Washington. The newly formed American Farm Bureau Federation, the National Grange, the Farmers' Union, and a host of new farm organizations went into action. Pressure was brought to bear on legislators and bureaucrats to do something, anything, to get farm prices up. In 1920, joining other lobbies in the most strategic location for exerting pressure, the American Farm Bureau Federation opened a Washington office. In 1920, an aggressive Farmer-Labor party elected several Congressmen. The following year, a new farm bloc emerged in the Congress. Headed by William Kenyon of Iowa, Arthur Capper of Kansas, and Robert

La Follette of Wisconsin, the bloc introduced various interventionist schemes to right the farm situation. In the 1924 election, another agrarian party, the Progressive party, took to the field under the leadership of Senator La Follette. The Progressives polled five million votes.

3. *The Farm Bloc*

The rise of a Congressional bloc from the postwar farm troubles was not unusual in American politics. The "War Hawks" of the War of 1812 constituted a pro-war bloc, as did various Senators and Representatives representing the North and South in later years. What was new about the farm bloc was the use of the term "bloc" and its bipartisan potency in achieving parliamentary successes.

Farm economist O. M. Kile names the original twenty-two Senators of the first farm bloc of the 1920's as Kenyon of Iowa, who was elected chairman of the group, Capper of Kansas, Smith of South Carolina, Norris of Nebraska, Caraway of Arkansas, La Follette of Wisconsin, Gooding of South Dakota, Ladd of North Dakota, Hareld of Oklahoma, Bursam of New Mexico, Fletcher of Florida, McNary of Oregon, Harris of Georgia, Kendrick of Wyoming, Harrison of Mississippi, Spencer of Missouri, Heflin of Alabama, Stanfield of Oregon, Norbeck of South Dakota, Sheppard of Texas, Jones of Washington, and Watson of Georgia.[1] No one seems to be sure of the origin of the term "farm bloc," but perhaps it was started by the *New York Times'* Washington correspondent, who wrote on August 28, 1921:

The most forceful group influence in national politics today is that of the farmers' "bloc" representing about one-third of the population of the nation, in the opinion of many observers here, who say the strength of the farmer vote in national affairs is more apparent now than at any previous time. They add that it has won one victory after another until it is the only recognized voting group that is able to upset political traditions.[2]

The organization of this particular farm bloc, the Kenyon-Capper group, roughly coincided with the opening of the office of the American Farm Bureau Federation in Washington by Gray Silver, a former member of the West Virginia senate and a man wise in the ways of Washington. O. M. Kile, who was an assistant to Gray Silver at the time, indicates that the idea of the Kenyon-Capper farm bloc was born in Mr. Silver's office.[3]

The farm bloc's weight was soon felt. Before the 1921 session of Congress was adjourned, the bloc, after reaching an understanding with the President and the leaders of both houses, obtained enactment of five pieces of farm legislation. These included the Packers and Stockyards Act and the Future Trading Act, legislation which implied that the decline in farm prices was to be blamed on the packers, stockyard operators, and speculators. The railroads were also whipped, for that same year, the farm lobbies were successful in exerting pressure on the Interstate Commerce Commission to reduce the freight rates on farm commodities authorized by the Esch-Cummins Act.

One of the farm bloc's efforts, the Packers and Stockyards Act of 1921, was challenged in the courts on the grounds of unconstitutionality. The question of central

government action on the farm problem and other economic problems was involved. In 1922, the Supreme Court ruled, in *Stafford* v. *Wallace* (258 U.S. 495), in favor of the Act; stockyards were indeed in interstate commerce, and national, not state, regulation was to be exercised. Chief Justice Taft stated:

> Thousands of head of live stock arrive daily [in the stockyards] by carload and trainload lots, and must be promptly sold and disposed of and moved out to give place to the constantly flowing traffic that presses behind. The stockyards are but a throat through which the current flows, and the transactions which occur therein are only incident to this current from the West to the East, and from one state to another.[4]

The object sought by the regulation of marketing at the stockyards, Chief Justice Taft stated, "is the free and unburdened flow of live stock" in interstate commerce, and the "chief evil feared is the monopoly of the packers, enabling them unduly and arbitrarily to lower prices to the shipper who sells, and unduly and arbitrarily to increase the price to the consumer who buys." The way to federal-government intervention in farming was thus measurably opened.

4. *The Tariff Struggle*

How to get prices higher? One way is to eliminate foreign competition. The farm bloc got behind the Emergency Tariff Act of 1921, which provided for sharp boosts in the duties of not only manufactured goods but also corn, wheat, meat, wool, and sugar. That import duties

were levied on such an export item as wheat can only be interpreted as political hokum. The downward tariff trend so briefly begun by the Underwood Tariff was reversed. The Fordney-McCumber Tariff of 1922 and the Hawley-Smoot Tariff of 1930 continued the policy of protectionism, the farm bloc generally in vigorous support. Yet these panaceas, like the others, did not work; farm prices stayed low or went lower.

5. *Co-ops and Credit*

The farm bloc had other schemes. Instead of "unbridled competition" in agriculture, why not substitute "orderly marketing"? "Orderly marketing" not only came to mean marketing co-operatives based upon the English Rochdale system, but it also meant special tax advantages and specific exemption from the anti-trust laws. The Capper-Volstead Act of 1922 and the Co-operative Act of 1924 thus accelerated the growth of co-operatives. In 1926, Congress enacted a measure, the Co-operative Marketing Act of 1926, setting up a division in the Department of Agriculture whose mission it was to further the growth of co-operative associations.

Further tax concessions and cheap government credit rounded out the "benefits" accorded farmers. Cheap government credit was the result of the Intermediate Credit Act of 1923, which set up twelve "farm credit banks" to advance cheap credit to farmers from six months to three years, shorter terms than the ordinary farm mortgage and longer than those usually made by banks.

Co-ops and credit were hardly solutions to the prob-

lem of farm surpluses. The higher prices collected by the co-ops and the lower costs made possible by cheap credit could only stimulate still more farm investment and production and greater price-depressing surpluses.

6. *The "Two-Price" Bills*

Perhaps the most ambitious scheme of the farm bloc to cure the growing farm problem came in the form of the five "never-say-die" McNary-Haugen bills of the 1920's. The essence of these bills was a two-price system: high minimum domestic prices, low export prices, with tariff protection to prevent foreign farm commodities from slipping in and undermining domestic prices. The rationalization behind the high domestic prices lay in the slogan "Equality for Agriculture."

The background for this slogan is interesting. In 1921, a farm implement manufacturer and his attorney visited the Chicago headquarters of James Raley Howard, head of the American Farm Bureau Federation. The manufacturer was George N. Peek, president of the Moline Plow Company, later to become the administrator of the New Deal's A.A.A. His counsel was Hugh S. Johnson, later to become the administrator of the New Deal's N.R.A. The visitors had a plan. Reasoning that farmers burdened with poor crop prices would hardly be buyers of Moline plows, Mr. Peek's product, Peek and Johnson argued that a correction in the disparity between industrial prices and agricultural prices could be effected through an "equalization fee," a tax on farm commodities to be paid by middlemen to finance farm exports.

The plan was later embodied in a pamphlet, published by Peek and Johnson in 1922 (Moline, Illinois), entitled "Equality for Agriculture." The title implied that agriculture was the stepchild of the economy, that industry was somehow able to exact higher and higher shares of the national income at the expense of the farmer.

In 1922, Harding's Secretary of Agriculture, Henry C. Wallace, father of Henry A. Wallace, called a national conference on the farm problem. One of the conference delegates was George N. Peek. He proposed a resolution asserting that the President and Congress should take such action as was necessary to re-establish a "fair exchange value" for all farm products. But how? And what was a "fair exchange value"? In their "Equality for Agriculture," Peek and Johnson said that a fair exchange value for farm commodities would bear the same relationship to industrial prices as had existed between the two sets of prices in the ten years preceding the First World War. One illustration showed that according to the fair exchange value, wheat, which was selling in 1922 at $1.02 a bushel, should have been $1.60. Businessmen were unimpressed by the Peek-Johnson scheme, but farmers were enthusiastic. So was Secretary Wallace. The way was paved for the McNary-Haugen bills.

Many price-fixing bills were introduced in the House and Senate for the purpose of "saving" agriculture—the Norris bill, the Ladd-Sinclair bill, the Christopherson bill, to name a few—but it was the McNary-Haugen bills which got national attention and legislative action. The McNary-Haugen bills were based on the Peek-Johnson plan. In fact, Secretary Wallace invited Peek and John-

son to Washington to help draft a law for their plan. Peek and Johnson said no but suggested instead that an expert in the Department of Agriculture write the bill. This was the bill that went through the Senate and House machinery to emerge as S. 2012 and H.R. 5563, sponsored by Senator McNary of Oregon and Representative Haugen of Iowa. Speaking in favor of the bill, Gray Silver of the American Farm Bureau Federation testified before a House committee as follows:

> . . . And what does the farmer see when he starts to look for the causes of his embarrassing position? Two kinds of currency exist side by side in this country—the farmer's dollar and the other fellow's dollar. . . . The question resolves itself, therefore, into the query as to whether the people at large will agree to scaling down the profits of industry or labor, or whether they will agree through Congressional authorization . . . to the bringing up of the farmer's returns to a scale commensurate with the other classes. I have yet to hear anyone challenge the equity in the claim made by the farmer.[5]

Five times a McNary-Haugen bill rose and five times it was defeated, twice by Presidential veto. The McNary-Haugen bills figured in the 1924, 1926, and 1928 elections. Planks and speeches praised the McNary-Haugen idea, planks and speeches condemned it. In each of the McNary-Haugen bills, changes were made to mollify opposition Congressmen and President Coolidge. It was no use. Said President Coolidge in his State of the Union Message to Congress in 1927 (attacking the case for a McNary-Haugen bill):

It should be the aim to assist the farmer to work out his own salvation, socially and economically. The main problem is one of dealing with surplus production. It is useless to propose a temporary expedient. Government price-fixing is known to be unsound and bound to result in disaster. Government subsidy would work out in the same way. It cannot be sound for all of the people to hire some of the people to produce a crop which neither the producers nor the rest of the people want. Price-fixing and subsidy will both increase the surplus instead of diminishing it. The most effective means of dealing with surplus crops is to reduce the surplus acreage. While this cannot be done by the individual farmer, it can be done through organizations already in existence, through information supplied by the Department of Agriculture, and especially through banks and others who supply credit refusing to finance an acreage manifestly too large. It is impossible to provide by law for an assured success and prosperity for all those engaged in farming.

Notwithstanding the opposition of the President, Congress passed still another McNary-Haugen bill. President Coolidge vetoed the bill, and in his prophetic veto message, he told Congress:

Government price-fixing, once started, has alike no justice and no end. It is an economic folly from which this country has every right to be spared. . . . There is no reason why other industries—copper, coal, lumber, textiles, and others—in every occasional difficulty should not receive the same treatment by the government. Such action would establish bureaucracy on such a scale as to dominate not only the economic life but the moral, social, and political future of our people. The main policy of this bill runs counter to the well-considered principle, that a healthy economic condition is best maintained through a free play of competition, by undertaking to

permit a legalized restraint of trade in these commodities and establish a species of monopoly under government protection, supported by the unlimited power of the farm board to levy fees and enter into contracts. For many generations such practices have been denounced by law as repugnant to the public welfare. It cannot be that they would now be found to be beneficial to agriculture.[6]

7. *Hoover and the Agricultural Marketing Act*

Five unsuccessful McNary-Haugen bills and steadfast Coolidge opposition indicated new strategy to the farm bloc. The 1928 Presidential election presented the bloc an opportunity: Coolidge had announced he was not a candidate. The McNary-Haugen supporters were active in both the Republican and Democratic conventions, seeking candidates and planks in support of yet another McNary-Haugen bill. While neither the Republican candidate, Herbert Hoover, nor the Democratic candidate, Alfred E. Smith, nor the respective planks dealing with the farm problem made any definite commitments for McNary-Haugen support, candidates and planks promised some sort of action. The candidates promised special sessions of Congress to legislate farm action. The Republican plank declared:

The Republican party pledges itself to the enactment of legislation creating a Federal Farm Board clothed with the necessary powers to promote the establishment of a farm marketing system of farmer owned and controlled stabilization corporations or associations to prevent and control surpluses through orderly distribution.[7]

Said the Democrat plank:

> We pledge the party to foster and develop co-operative marketing associations through appropriate governmental aid. We recognize that experience has demonstrated that members of such associations alone can not successfully assume the full responsibility for a program that benefits all producers alike. We pledge the party to an earnest endeavor to solve this problem of the distribution of the cost of dealing with crop surpluses over the marketed units of the crop whose producers are benefited by such assistance. The solution of this problem would avoid government subsidy, to which the Democratic Party has always been opposed.[8]

As he promised, newly inaugurated President Hoover called a special session of Congress on April 15, 1929. Congress was in a mood for farm action. The country was in the midst of a speculative boom, and only the farmer seemed to be out in the cold. There were plans galore. The McNary-Haugen two-price system was revived; the Grange asked for export debentures to subsidize exports; Professor John D. Black of Harvard University proposed a domestic-allotment scheme, a remote ancestor of the present Soil Bank.

What emerged as law on June 15, 1929, was the revolutionary Agricultural Marketing Act of 1929, a price-support device which put forth the Peek-Johnson idea of "equality" and which marks the first pure peacetime intervention in the market. According to the Act, Congress promised

> to promote the effective merchandising of agricultural commodities in interstate and foreign commerce, so that

the industry of agriculture will be placed on a basis of *equality* with other industries, and to that end to protect, control, and stabilize the currents of interstate and foreign commerce in the marketing of agricultural commodities and their food products.[9]

To accomplish this, Congress set up a Federal Farm Board (mentioned in the Republican campaign plank) empowered to lend money to co-operatives and "stabilization corporations." The money would be issued from a "revolving fund" of half a billion dollars. (A "dissolving fund" might be a more accurate description in view of its results.) The Farm Board was launched in the fall of 1929, hardly an auspicious time for price-propping.

One of the Board's first acts was to create the Farmers National Grain Corporation, which was incorporated on October 29, 1929 ("Black Tuesday," as the date became known in the nation's stock exchanges). Farmers dumped their wheat on the Corporation instead of on the market. By February, 1930, the Farmers National Grain Corporation was wobbly from the weight of its wheat holdings, and a new bureaucratic venture, the Grain Stabilization Corporation, was rushed into being to acquire and hold stocks which could not be sold at "acceptable" prices. It, too, was unable to stem the fall in grain prices. The second wheat-stabilizing creation soon held half of the visible supply of the nation's wheat, even after dumping considerable amounts on already glutted world wheat markets. Wheat was "sold" to Germany and China against long-term bonds. Twenty-five million bushels were bartered to Brazil for coffee. Forty million bushels,

and later another forty-five million, were transferred to the Red Cross for "relief feeding."

The Farm Board was fighting a losing battle to stem the disastrous descent of crop prices. Cotton told the same story as wheat. The Farm Board's Cotton Stabilization Corporation bought heavily, but the price of cotton slipped from 18 cents per pound in September, 1929, to an all-time low of 4.6 cents in June, 1932. In lesser ways than in wheat and cotton, the Board strove to support wool (National Wool Marketing Corporation), tobacco, rice, dairy products, citrus fruits, grapes, and other things. All of these were without success. Its revolving fund largely depleted, the Board was practically moribund in its last year of operation when it was mercifully liquidated by a Presidential order on May 26, 1933. Its lesson on the futility of price-propping, however, was not learned by the new Democratic administration. Worse was to follow.

8. *The Great Depression*

Agriculture's hard times through the twenties were shared by all industries in the thirties. And the interventionist schemes that failed agriculture in the twenties likewise failed the economy during the thirties. The Great Depression started in the stock market. In one day, October 29, 1929, the common stock of the General Electric Company dropped forty-seven points, Westinghouse Electric thirty-five points, and American Telephone and Telegraph thirty-four points. The shock deepened into bitter disillusionment. Unemployment climbed from

three million jobless in 1930 to twelve million in 1932. From 1930 to 1932, there were more than five thousand bank failures. In two years, one-fifth of all railroad mileage had gone into receivership.

With all this, depressed agriculture was depressed further. Farm prices slumped from 104.9 in 1929 (1926 = 100) to 64.8 in 1931 and 48.2 in 1932. Some farm prices plainly signaled disaster: $2.50 per hundredweight for hogs, $3.28 per hundredweight for beef cattle, wheat at thirty-two cents a bushel, and corn nineteen cents a bushel. Farm mortgages were foreclosed until various states passed stay laws (moratoria). Veteran groups marched on Washington. Clearly, panic was in the air.

In this ominously foreboding atmosphere of panic, Congress and the Hoover administration struggled with supposedly corrective measures. Apart from action by the Federal Farm Board, the government imposed the Hawley-Smoot Tariff of 1930, which sharply increased the duties on farm "imports" and other imports. A total of $125,000,000 was pumped into federal farm-loan machinery to aid farmers, and in 1932, the Reconstruction Finance Corporation was created to lend money to both farm and industry. (The R.F.C. moved quickly; in twelve months, $1,500,000,000 was lent to six thousand borrowers.) Partly to instill confidence, President Hoover declared a moratorium on the German war debt. Still, the "prosperity that was just around the corner" never came. The New Deal—how bracing the words—was voted into being in the hard-fought election of 1932.

The election issue was the Great Depression. Nostrums were rampant, both before and after the election. Upton

Sinclair's E.P.I.C. (End Poverty in California), the Townsend Plan, Father Coughlin's National Union for Social Justice, Huey Long's Share-Our-Wealth clubs, William Lemke's Union party, Norman Thomas's Socialist party, and the Communist party were together making converts by the millions. This was the milieu of the New Deal and its celebrated "Brain Trust."

The farm vote was a critical consideration in the 1932 campaign. The 1928 pattern of both candidates and parties pledging vigorous farm action (but not the action of the free market) was repeated. Yet a bit of the Democratic farm plank sounded like a page from Adam Smith:

> We condemn the extravagance of the Farm Board, its disastrous action which made the government a speculator in farm products, and the unsound policy of restricting agricultural products to the demands of domestic markets.

Mr. Roosevelt echoed the plank in a speech on September 14, 1932:

> The Farm Board began its stabilizing operations. This resulted in a tremendous undigested surplus overhanging the market; it put a millstone around the neck of the cooperatives. The effort resulted in squandering hundreds of millions of the taxpayers' money. Farm Board speculative operations must and shall come to an end.[10]

In the Middle West, Henry A. Wallace, editor of the rurally influential *Wallace's Farmer* and son of a Republican Secretary of Agriculture, helped fan the prairie fire of discontent. The failure of the Farm Board to prop prices fazed him not at all. The Peek-Johnson equality-

for-agriculture idea should not have died at the hands of disillusioned, reactionary Republicans, and although his G.O.P. father had fought hard for "equality," Wallace deserted the Republican banner in 1928 and vigorously campaigned for the Democrats in 1932. He got the usual reward for service to the party—a job. He served as Secretary of Agriculture for two terms of the New Deal, Vice-President for one, Secretary of Commerce for another, and in 1948 was the Presidential candidate of the Communist-supported Progressive party.

Early in 1933, Wallace helped to draft the big Agricultural Adjustment Act, which was sent to Congress with a message from President Roosevelt saying that the "unprecedented condition calls for the trial of new means to rescue agriculture." The President thus frankly admitted that the A.A.A. scheme was experimental. Former President Herbert Hoover called the scheme "fascist."[11]

9. *The New Deal*

The "hundred days" of the initial phase of the Roosevelt administration were a bonfire of hectic legislative and administrative activity, and this fast tempo was maintained throughout most of Franklin D. Roosevelt's occupancy of the White House. Banks were closed, deposits were insured (Federal Deposit Insurance Corporation), the gold standard was abandoned, and the dollar was devalued. "Relief" was provided through the Federal Emergency Relief Administration (F.E.R.A.) and the Works Progress Administration (W.P.A.). Huge public

works (P.W.A.), such as the greatly expanded Tennessee Valley Authority (T.V.A.), which had been started under Wilson, were undertaken. The nation's youth were "protected" in the Civilian Conservation Corps (C.C.C.) and the National Youth Administration (N.Y.A.). Labor and industry were cartelized with the National Industrial Recovery Act (N.R.A.), and when the N.R.A. was declared unconstitutional, organized labor was awarded the Wagner Act. Social security was established.

And it was at this time that the Soviet Union was recognized as a means of stimulating trade and turning the depression.

Still, recovery eluded the economic planners, and in 1937-38, a recession within the Great Depression underscored the general helplessness of the New Deal. In agriculture, the situation was little better.

10. *The A.A.A.*

Farm laws came fast. The Farm Credit Act of 1933 reshuffled the Production Credit Corporation, the Federal Land Banks, the Federal Intermediate Credit Banks, and the Regional Banks for Co-operatives. The Farm Relief and Inflation Act authorized a two-billion-dollar bond issue to refinance farm mortgages. The Frazier-Lemke Farm Bankruptcy Act of 1934 permitted five-year moratoria for farmers unable to pay their mortgage debts. But the main law was the Agricultural Adjustment Act of 1933, which established the Agricultural Adjustment Administration (the A.A.A.).

The A.A.A. was designed to restore farm prices and

went much further than the Federal Marketing Act of 1929. The law stated that it was the government's responsibility to "re-establish prices to farmers at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy equivalent to the purchasing power of agricultural commodities in the base period" (1909 to 1914, save for tobacco, whose base period was 1919 to 1929). George N. Peek, co-author of "Equality for Agriculture," was named administrator of the Agricultural Adjustment Administration, and Hugh S. Johnson, the other co-author, became administrator of the National Recovery Administration.

How was the A.A.A. to achieve "parity"? The Secretary of Agriculture was empowered to seek a vast reduction of farm acreage and animal population—planned scarcity—and to authorize market-quota agreements with farmers (the anti-trust laws notwithstanding) for their crops. The extent of planned scarcity can be seen in the following U.S.D.A. figures from the Department's *Year Books*:

	1932	*1934*
Acres of 40 crops harvested	363,606,000	295,933,000
Acres of 17 principal crops	344,486,000	276,070,000
Pigs saved	82,526,000	56,766,000
Cattle, December 31	70,280,000	68,846,000
Hogs, December 31	62,127,000	39,066,000

During the first year, the U.S. government contracted with three million individual farmers to control their individual crop production and marketing plans—quite a staggering bureaucratic feat. For signing a government contract, each farmer became eligible for cash payments.

The payments were partly financed by processing taxes upon food and fiber processors, such as millers, packers, and cotton-textile manufacturers. The government's marketing agreements with farmers (and also with food processors and distributors) were executed so that (the Agricultural Adjustment Act declared) "competitive wastes may be eliminated, trade practices improved, surpluses moved into markets for consumption, and producers' prices raised."

The latter point—"producers' price raised"—was, of course, the real aim and was, in fact, temporarily accomplished. Prices for farm commodities advanced generally, as did industrial prices under the aegis of the N.R.A.'s famous "Blue Eagle." Total cash farm income, including government payments, advanced almost 25 per cent, from about $5,400,000,000 in 1933 to $6,800,000,000 in 1934. The advance exacted its toll because the gain for farmers, a minority, came from higher prices and taxes from consumers, the majority (including, in the last analysis, the farmers themselves), millions of whom were in just as dire straits as the farmers. Moreover, among the farmers, the income improvement was anything but evenly distributed. In the South, for example, crop restrictions forced many tenant farmers and sharecroppers off the plantations. These displaced farmers, in a rather remarkable move, dropped the color line and organized a lobby and an action group, the Southern Tenant Farmer's Union.

Moreover, the gain in farmers' income heavily involved the Democratic administration in the very speculation for which the Republican Farm Board had been

so roundly condemned in the 1932 campaign. An incident from the Morgenthau diaries illustrates this quite clearly:

> We experimented with propping up prices through government lending. . . .
>
> On the night of October 16th, as I was spending a quiet evening at home, the telephone rang. It was the President.
>
> "We have got to do something about the price of wheat," he said, strain and weariness apparent in his tone. "I can't take it any longer. . . . Can't you buy 25,000,000 bushels for Harry Hopkins and see if you can't put the price up?"
>
> Henry Wallace, I knew, had the machinery for buying, and, if Hopkins would agree to take it off my hands for relief distribution, I would be certain not to get stuck with loads of surplus wheat.
>
> I started in on the buying game first thing in the morning. Wheat was perched precariously at 64⅞ when I placed the first order for 1,000,000 bushels. By the end of the day we had worked it up 10 cents.
>
> "Squeeze the life out of the shorts," F.D.R. said to me, with the old fight in his voice, "and put the price up just as far as you can."[12]

In 1936, the U.S. Supreme Court held the A.A.A. unconstitutional in the Hoosac Mills case (*U.S.* v. *Butler*). As in the Schechter Poultry case voiding the N.R.A., the Court maintained that the federal legislative power had been unconstitutionally delegated and the states' rights violated. The A.A.A. and the N.R.A. were declared, in effect, legally dead, two critical Supreme Court decisions which imperiled the entire New Deal idea. The new concept of federal power was threatened by "nine old men."

The threat was short lived. President Roosevelt's an-

swer came quickly: "Pack the Court." Congress, Democrats and Republicans remarkably united, thundered back with a roaring "No!" The thunder failed, for the Court, if divided, soon surrendered to the President's demand for a New Deal philosophy. In 1937, in the critical case of *National Labor Relations Board* v. *Jones & Laughlin Steel Corporation,* the Court held that employer-employee relations of manufacturers in interstate commerce were no longer the exclusive concern of the states as a "right" but were subject to federal regulation. The Court's decision was split, five to four. The way through the judiciary for farm intervention was now clear, as was confirmed in the Supreme Court's decision in *Wickard* v. *Filburn* in 1942. The decision held, in effect, that agriculture was no longer under the states' exclusive control but was also under federal jurisdiction. The Court stated, with singular logic, that "it is hardly lack of due process for the Government to regulate that which it subsidizes."

11. *A.A.A. Machinery—The Blueprint*

The two big aims behind the A.A.A. were simple enough: replenish farm income and contract production, both with an emphasis on speed. Resorting to the automatic adjustments of the free market was out; "agricultural adjustment" was strictly bureaucratic adjustment. The first aim was to get money into the hands of the farmers through market receipts and government payments. Even though foreclosures of mortgages were suspended by stay laws in some states, foreclosures in other states were mounting. Farm equipment, contended the

advocates of intervention, had to be "saved," farm supplies "replenished," farm foreclosures prevented. So "benefit payments" were devised for co-operating farmers.

Benefit payments were to be "stop-gap" farm relief, a temporary measure until higher farm prices and the return of general prosperity obviated the need for government aid and bureaucratic management. (Somehow, that need has not only not disappeared but has enlarged with each decade.) Three main types of government payments to farmers were used: cash rentals for land taken out of production, "nonrecourse loans" from the Commodity Credit Corporation, and "parity payments" to supplement market prices.

Where to get all the money to give to the farmers? Perhaps direct payments from general funds might appear crass, so the farm planners designed special excise taxes on each major commodity—to be paid by the commodity processors. Hence, presumably, consumers and individual taxpayers would not realize that they were the ones paying the farmers not to farm. What was not mentioned, of course, was that the processing taxes paid by the commodity processor—say, by a miller in the case of wheat—were shifted to the consumer in the form of higher prices for bread. Moreover, there was nothing in the law to prevent a farmer from shifting the use of his land from a restricted crop to a nonrestricted crop, which he almost invariably did, thus creating new surplus crops for old, an endless process. The 1941 edition of *United States Statistical Abstract* lists the following direct payments to farmers (pp. 640-41):

Year	Benefit and Rental Payments to Farmers
1933	$131,000,000
1934	446,000,000
1935	573,000,000
1936	287,000,000
1937	367,000,000
1938	482,000,000
1939	807,000,000
1940	766,000,000

The idea behind contracting production was to raise prices through planned scarcity. The techniques for this process consisted of acreage and production allocations and marketing agreements. To cut down national production, over-all acreage and hog population reductions were decided in Washington and then pro-rated to states, counties, and, finally, to individual farms. Political influences, it may be safely inferred, interceded from the top down. At the grass-roots level was a county advisory committee of farmers to inspect and deliver benefits. The county committees, directed from Washington, lent an air of democracy to the intervention.

Even though the planting and growing of the 1933 crops were already under way, farmers had to abide by their quotas. Accordingly, ten million acres of cotton were plowed under. Hog population was drastically reduced by order of the U.S. Department of Agriculture, millions of shoats being prematurely dispatched to the slaughterhouses or the farmer's chopping block. All of this "planned scarcity" proceeded while the President complained (in his second inaugural address) that "one-

third of the nation is ill-housed, ill-clad, and ill-nourished." For the first time in the history of agrarianism, the American farmer witnessed the spectacle of a government agent on his farm, telling him how much he could farm, measuring his permitted acreage allotment, and counting his shoats.

The political appeal of the new farm program to the nation's agrarians was not to be denied. Dazzled by the gentle rain of Treasury checks, excluded farmers soon sought coverage under the A.A.A. Originally, the program applied, essentially, to but seven "basic" commodities: wheat, corn, hogs, cotton, rice, tobacco, and dairy products. The Jones-Connally Act of 1934 broadened the "basic" classification to embrace rye, flax, barley, grain sorghums, cattle, and peanuts. Later in 1934, amendments gave the elastic "basic" category still another stretch with the addition of sugar beets, sugar cane, and potatoes.

Still, there were farmers who were—to use a phrase coined by President Hoover and derided by President Roosevelt—"rugged individualists," who, for one reason or another, refused to go along with the government's massive farm program. These rural nonconformists were, in effect, "free-riders," reasoned the farm planners. They, too, would cash in on the higher farm prices wrought by the A.A.A. machinery for the benefit of co-operating farmers. Moreover, the non-cooperating farmers might well be induced by the higher prices to produce still more, thereby aggravating the A.A.A.'s price-propping job. As a solution, the farm planners hit on the idea of penalty taxation. The scheme was embodied in the Bankhead

Cotton Control, the Sugar Control, the Kerr-Smith Tobacco Acts, and the Potato Control Act of 1935. These laws subjected cotton, sugar, tobacco, and potato growers not exempt under the law to a steep tax. Tax-exemption certificates were issued to all co-operating and all very small farmers. The non-cooperators would, theoretically, be taxed to extinction, and if need be, violators could be jailed.

In addition to the above measures, three million "voluntary" marketing agreements were negotiated between the government and farmers, farm co-operatives, farmers' producing and marketing associations, and crop processors. The agreements, all of which were cartelization arrangements, provided a strict limitation on how much a farmer or a farm group could bring to market. As in the N.R.A. codes, there were attempts to allocate markets in the agreements. Clearly, the former farm policy of free competition had been dropped in favor of the policies of enforced monopoly and experiment, i.e., intervention.

The frankly experimental and inflationary nature of New Deal farm and monetary policy is also seen in the Thomas Amendment to the Agricultural Adjustment Act of May 12, 1933. This amendment granted to the Treasury the authority to issue three billion dollars in unsecured greenbacks and gave the President the power to reduce the gold content of the dollar up to 50 percent and to re-establish bimetallism through the unlimited coinage of gold and silver at a fixed ratio. The devaluation of the dollar, by Executive Order, followed shortly afterwards.

12. *The Commodity Credit Corporation*

One of the strangest corporations ever chartered by the state of Delaware was the government's Commodity Credit Corporation, perhaps the most non-profit non-profit corporation ever created. Capital stock, originally in the amount of three million dollars, was held jointly by the governor of the Farm Credit Administration and the Secretary of Agriculture. The purpose of the C.C.C., founded in 1933, was to make "loans without recourse" to eligible farmers (those who had signed A.A.A. contracts). "Without recourse" meant that if the market price of the crop used as collateral fell below the support price, the farmer would permanently turn the crop over to the C.C.C. The farmer, then, was a unique debtor; he was not really obligated to repay his debt. If the market price rose above the support price, the farmer would pay off his loan and retake his crop—and the profit. In short, the farmer could not lose. From his point of view, the farmer had the C.C.C. in a "heads, I win—tails, you lose" deal.

By August, 1935, the C.C.C. owned or was heir to more than six million bales of cotton, almost twice as much as was ever carried by the Farm Board. This inventory, however, was small compared with the surpluses that the C.C.C. was to carry in the 1950's.

13. *The International Commodity Agreements*

The price-fixing, cartel-creating activity of the New Deal was not limited to the domestic field. The United

States joined other governments of similar persuasion in the International Wheat Agreement in August, 1933. Twenty-two countries in all were included. Wheat-exporting countries agreed to export quotas assigned to each of them. Wheat-importing countries agreed in principle to discontinue production of wheat formerly protected by high tariffs. The first International Wheat Agreement broke down in its first year and was terminated officially at the expiration of its initial two-year term. In the early 1940's, the idea was revived.

The United States government also participated in international commodity agreements when no domestic production was involved, as in coffee, natural rubber, and tin. The government acted as an importing nation in such cases. When domestic production was involved, the United States joined other international arrangements in both an exporting and importing capacity, as in the International Beef Conference and the International Sugar Agreement. In the Sugar Agreement, along with coordinating domestic legislation, the American government protects our domestic high-cost beet-sugar and sugar-cane producers against the low-cost cane-sugar producers of Cuba and elsewhere. (Who, the question arises, protects the American consumer?)

14. *Soil Conservation*

The Supreme Court could not stand in the way of progress. The Supreme Court's Hoosac Mills decision of January, 1936, voiding the A.A.A. was neatly superseded

by "soil conservation legislation." Nature capriciously co-operated with the farm planners. In 1934, there was a serious drought; in 1935, floods and dust storms spread wide devastation and further hardship in farm country. "Save the soil" thus became an effective slogan for the farm bloc. By presumably saving the soil, the planners could easily, though indirectly, control production and prop prices. So in February, 1936, just a few weeks after the Hoosac Mills decision, the government, ostensibly to encourage flood control, enrich the soil, and prevent land erosion, continued its farm intervention through the legalistic subterfuge of the Soil Conservation and Domestic Allotment Act.

The Preamble of the Act declared that it was intended "to promote the conservation and profitable use of agricultural land resources by temporary Federal aid to farmers and by providing for a permanent policy of Federal aid to States for such purposes." The law authorized $500,000,000 annually to farmers for putting part of their farms in clover, legumes, and other "soil-conserving" plants, for adding fertilizers and chemical restoratives, or for improving the land without its going into production—operations many farmers would do anyway. Thus the gentle rain of government checks to the nation's farmers was not long interrupted. Farmers, by act of Congress, were now soil conservationists. Judging by the 1936 election landslide for Franklin D. Roosevelt (only Maine and Vermont went Republican), one could say that most of the population seemed dazzled by the pyrotechnics of the New Deal.

15. *The A.A.A. of 1938*

The program of farm intervention was accelerated. Under the Rural Electrification Act of 1936, an ambitious, subsidized electrification program for farmers, largely through municipal or non-profit co-operative power utilities, was initiated, a trend started by T.V.A. The Agricultural Marketing Agreements Act of 1937 basically re-enacted provisions of the voided 1933 A.A.A. and again permitted tight monopoly control over entire crops and extended marketing agreements to perishable commodities. The initiative for procurement of such agreements was, for the most part, put into the hands of producers' marketing organizations. The duration and success of these agreements was spotty, milk providing the most trouble in policing. Yet in 1938, 1,200,000 milk producers were operating under marketing agreements. In the same year, 300,000 vegetable and fruit growers were simliarly covered.

The Bankhead-Jones Farm Tenant Act of 1937 enabled the government to acquire land and resell it to tenant farmers, sharecroppers, or farm laborers, thus putting the United States in the real estate business. The newly organized Farm Security Administration replaced the Resettlement Administration. The F.S.A.'s authority included the lending of money to tenant farmers so that they could purchase farms, the resettlement of farm and other families, and the establishment of co-operative farm communities. Resettlement was expensive, and

whole new communities were created. Greenbelt, Maryland, was one such model government resettlement community, and Greendale, Wisconsin, and Greenhills, Ohio, were two others. The resettlement of two hundred families at Hightstown, New Jersey, cost $7,850 per family. Resettlement of thirteen families at Sioux Falls amounted to $20,520 per family.

The New Deal's massive intervention, with its play on "social security" and "farm security," was anything but security. In late 1937, a sharp recession within the Great Depression occurred. Stockmarket prices broke, and sit-down strikes swept through industry. Unemployment, already high, climbed higher. A Temporary National Economic Committee was created to find out why the "Great Experiment" was not working. The 1937 cotton crop, despite the marketing agreements and acreage restrictions, made an all-time production record of nineteen million bales, with the government's C.C.C. taking more than a fourth of the crop as loan collateral. Cotton farmers groaned as the price of cotton fell to eight cents a pound. The government inherited vast surpluses of wheat as the average world price dropped from 96 cents per bushel in 1937 to 50 cents in 1938, although the official parity price was $1.12. Despite all the government aid, 1938 farm income fell 12 per cent below that of 1937. Such was the situation when the second Agricultural Adjustment Act, a series of laws, was passed in 1938.

The new A.A.A. (no semantic subterfuge was necessary for the now reconstructed Supreme Court) continued and strengthened the Soil Conservation and Domestic

Allotment Act. Fixed crop-production goals were set "to give production sufficient for domestic consumption, for exports, and for reserve supplies." Reserve supplies constituted a facet of a much larger scheme, the "ever normal granary." This eye-catching and ear-appealing title was the idea of Secretary Wallace, who caught the public's imagination with the biblical story of Joseph's storage of grain in the seven fat years for use in the seven lean years. The ever normal granary was embodied in the law: the government would buy farm products when prices were low and sell when prices were high, thus stabilizing prices and equalizing supplies between bumper-crop years and short-crop years.

The law also provided for the establishment of the Federal Crop Insurance Corporation, with a capital stock of $100,000,000, to write insurance for the nation's wheat farmers against the risks of drought, insects, and floods. The statute raised—it was almost inevitable that it would—parity levels and forbade the C.C.C. to sell cotton at prices which would not cover all amounts invested in it. The higher price supports could only aggravate the C.C.C.'s already steep investment in cotton, wheat, corn, peanuts, wool, butter, and other farm commodities. The A.A.A. of 1938 also set "marketing quotas keyed to acreage allotments which were intended to keep supplies of certain commodities designated as the basic agricultural commodities in line with market demand."[13] Yet for all the controls, year-to-year crop carry-overs continued to increase. World War II was to provide but temporary inventory salvation for the planners.

16. *World War II*

The undaunted farm planners, baffled over surpluses, tried various schemes to reduce surpluses, among them the School Lunch Program and the Food-Stamp Plan. The Food-Stamp Plan was administered by the Federal Surplus Commodities Corporation, formerly the Federal Surplus Relief Corporation chartered in 1933. The Corporation sold orange-colored stamps to low-income families. With every one-dollar orange stamp, the purchaser got a "free" fifty-cent blue stamp. The orange stamp was good only for commodities declared "surplus" by the F.S.C.C. The grocer was then permitted to cash in all stamps, orange and blue, at face value, or to use them to finance acquisition of additional "surplus" commodities. The government, in short, gave out $1.50 of food for $1.00, quite a bargain. The School Lunch Program, ostensibly based on the nutritional needs of American school children, was tied in with the problem of agricultural surplus disposal. The Program, whatever the nutritional merits of Mother's cooking today, continues in force in the late 1950's.

During World War II, much of the farm pattern of World War I was repeated—expansion and overcapacity, although farm mortgage debt actually declined during the war.

The European phase of the Second World War—1939-1941—and Lend-Lease pushed American farm prices up. Inflation, the expansion of money and credit, was soon at work. Total economic planning followed in short order.

Prior to the war, in January, 1941, President Roosevelt had established the Office of Production Management (O.P.M.) to begin centralized direction over production. In April, 1941, the price-fixing Office of Price Administration and Civil Supply (O.P.A.) was set up. In August, 1941, the President created the Supply Priorities and Allocation Board (S.P.A.B.). Many more agencies and bureaus were born after Pearl Harbor.

With wartime price control came hidden price inflation through outright subsidies to farmers and other producers. This was the ballyhooed "holding of the price line." The precedent and machinery for subsidy payments were abundantly present. Yet with subsidies likely to break off at war's end, it was reasoned that farmers would refrain from necessary expansion, for the farmers had fears of a postwar price collapse like that following World War I. Therefore, as a further incentive to agricultural expansion, the government put through the so-called Steagall Amendment, which, as amended, supported twenty major farm commodities at 90 per cent of parity for two years from the first day of January following the official declaration of the end of hostilities. The declaration came on December 31, 1946. Thus the government fastened the farm problem onto the Treasury until at least 1949.

One and one-half billion dollars in wartime farm subsidies was being paid out annually by 1945. Although farm labor had been heavily cut by the draft, farm output advanced by one-third over the 1935-1939 level. Annual farm income jumped from $5,250,000,000 in 1939 to $14,000,000,000 in 1945, a gain of 167 per cent. Farm

mortgage debt was reduced from $6,500,000,000 to $5,000,000,000 during the same period. After a generation of hardship, the American farmer had at last found prosperity, but it took a war to do it. How long would it last?

From war to war, the American farmer trod a downward path as far as his economic freedom was concerned. In the relatively prosperous period of the Twenties, two choices were open to him: the free market or government controls. By and large, the farmers, through their Congressmen and lobbies, chose government controls. One lobby, the American Farm Bureau Federation, for example, started out as a farmer movement for self-help but was soon diverted into politics. It was only the obdurateness of men like Coolidge that slowed down the march of intervention. Even then, the Twenties afforded some recovery for agriculture. The average net annual income of operators climbed from $573 in 1921 to $975 in 1929. Between 1920 and 1929, nearly one and one-half million persons left farms, thereby, at least, partially relieving the surplus of farmers.

Nonetheless, massive farm intervention was achieved, and although the New Deal is frequently blamed for the farm "mess," it is important to see that a Republican administration was instrumental in bringing about the heavily interventionist Federal Farm Marketing Act of 1929, with, of course, the bipartisan help of the farm bloc. The Federal Farm Board failed to reach its objectives. The A.A.A. of 1933, an experiment in planned scarcity, also failed. The "ever normal granary" concept in the

A.A.A. of 1938 was but a fond dream, ever abnormal in practice.

Whatever farm benefits were obtained prevented the free market from adjusting production to consumption, i.e., from effecting a shift of farm resources from inefficient operators to the efficient, from cutting back from over-capacity to a balance with market demand. Farm benefits were forcibly taken from the general population. Farmers, the minority, through the government, exploited the majority of the people. But the people, through various groups and various guises—N.R.A., Wagner Act, Social Security, etc.—exploited farmers—and themselves. In brief, everybody exploited everybody. And the New Deal, charged with the responsibility of recovery, did not find it until it went to war. Moreover, farm intervention, heavily laden with politics, grew progressively larger until the United States Department of Agriculture became the swollen bureaucracy that it is today.

Politics and power lie at the root of the problem. Farm policy waxed into compulsion, yet even experts in farm policy seem unaware of all the influence of power and politics on intervention practice. Note the rather feeble comments of outstanding agricultural economists Edwin G. Nourse, Joseph S. Davis, and John D. Black on this score:

> In retrospect, it seems clear that, on balance, restricting the liquidation of option cotton and raising the loan rate to 12 cents in August, 1934, constituted major mistakes. *These illustrate the vulnerability of such a program to political influence or other group pressures.*[14]

Even President Roosevelt seemed unaware of the corruptibility of the power which the New Deal had unleashed. Yet, perhaps inadvertently, he stated the danger in 1936 when he said:

> . . . in 34 months we have built up new instruments of public power. In the hands of the people's Government this power is wholesome and proper. But in the hands of political puppets of an economic autocracy such power would provide shackles for the liberties of the people. Give them their way and they will take the course of every autocracy of the past—power for themselves, enslavement for the public.[15]

CHAPTER VI

From Truman to Eisenhower

> The supervision of agriculture and of other concerns of a similar nature, all those things in short which are proper to be provided for by local legislation, can never be desirable cares of a general jurisdiction.
>
> —James Madison in *The Federalist*

1. *"Reconversion" and Boom*

At the end of World War II, normal peacetime agriculture was still a long way off for American farmers. Fourteen years after the end of the war, it is still a long way off. The war did not end with V-E Day or V-J Day, for a cold war with the Soviet Union and its growing number of satellites began. Also, the United States government undertook the responsibility for a vast global program of feeding, rehabilitating, and otherwise aiding the free world via U.N.R.R.A., a $3,750,000,000 loan to Britain, the Marshall Plan, the World Bank, N.A.T.O., Mutual Security, Economic Cooperation, and so on. (At this writing, some $70,000,000,000 in postwar aid has been so disbursed.) Moreover, during the war the government had pledged its support for the postwar well-being of the farmer. The (full) Employment Act of 1946, in effect, extended this pledge to non-farmer and farmer alike.

Orthodox economics was in disrepute. "The new economics" of Lord John Maynard Keynes and his followers, whose ideas were behind the Employment Act, continues in force. (These ideas call for, mainly, compensatory spending, especially public spending—"built-in stabilizers"—as an attempt to straighten out the business cycle.)

Rationing was dropped soon after V-J Day. Gasoline rationing was stopped immediately, meat and fat rationing was eliminated on November 24, 1945, and sugar rationing was discontinued shortly afterwards. Price and rent controls continued until 1946, when, on November 10, the Decontrol Board moved to end commodity price controls, except for sugar, rice, and corn syrup. (Rent controls, now under state authority, dating to World War II still continue in some urban areas today.) Prices rose as wartime and unrelenting postwar inflation, accompanied by yearly rounds of collective-bargaining wage increases, forced prices and wages to ever higher levels. In current prices, average weekly earnings in manufacturing rose from $43.82 in 1946 to $83.50 in 1958.[1]

2. *The Agricultural Act of 1948*

The first major test for farm policy after the war was signaled by the expiration of the Steagall Amendment on January 1, 1949. Control of the Congress had passed to the Republicans in the election of 1946, but similarity between the supposed Republican penchant for free enterprise and Republican measures on farm policy was not discernible.

Two bills were joined to form the omnibus Agricultural Act of 1948—the House bill of Congressman Clifford Hope, Republican of Kansas, and the Senate bill of George Aiken, Republican of Vermont. The Act contained the 1938 A.A.A. idea of "flexible supports." The 1948 G.O.P. farm law provided for government support of prices of the so-called basic commodities, plus dairy products, hogs, chickens, and eggs, at 90 per cent of parity until June 30, 1950. After that date, the government would set support levels at between 60 and 90 per cent of parity on basics, plus wool and Irish potatoes.

The "flexible-support level" meant, essentially, that the government would lower the support level to 75 per cent when the supply of a commodity was "normal," to a flexible scale of from 60 to 75 per cent when the supply was above "normal," and up to 90 per cent when the supply was below "normal." The law also permitted the Secretary of Agriculture to support up to 90 per cent of parity the prices of "non-basic" farm commodities except any "non-basic product which is so perishable in nature as not to be reasonably storable without excessive loss or excessive cost."

The Agricultural Act of 1948 showed that the Republicans intended to continue farm intervention, even if softened, though war and depression had ended. The tenacity of intervention, if proof were needed, had proved itself.

Still, the 1948 election hopes of the Republicans, based on such legislation as the Hope-Aiken Act and the Taft-Hartley Act, were dashed by the unexpected victory of Harry S. Truman over Thomas E. Dewey in the fall of

1948. The farm vote was crucial in the election, and the farm states generally went Democratic, providing the decisive, if narrow, margin of victory.

What had been the Democratic campaign strategy? Some Democrats said that flexible price supports in the hands of a Republican Secretary of Agriculture would be a means of conniving to lower farm prices. Democrats found other Republican targets in the Eightieth Congress (in Mr. Truman's words, "that no-good, do-nothing Congress . . . the worst in the history of the country"). It was pointed out that the Republicans had restricted the authority of the C.C.C. to acquire storage facilities, thereby setting up a threat to limit further nonrecourse loans to farmers. A Republican Congressional committee had investigated agricultural co-operatives. This was supposedly a threat to the income-tax exemption of co-ops. Many defeated Republicans came to learn that interference with intervention favorable to farmers was not always appreciated.

The Hope-Aiken Act had just come into effect when the Eighty-first Congress enacted the Agricultural Act of 1949, a Democratic law. The new law raised parity support levels for basic commodities: 90 per cent for 1950, 80 to 90 per cent for 1951, and 75 to 90 per cent for 1952 and thereafter. If in any of these years farmers voted down the government's production controls in a national referendum, the price-support level would slip to 50 per cent of parity. Importantly, the 1949 act delayed the expiration of high mandatory supports. In fact, thanks to some highly effective parliamentary maneuvering by the farm bloc, it was not until 1954 that the flexible sup-

port idea was to come into play and then it was only operative beginning with the 1955 basic crops.

The 1949 law also provided a generous choice of parity formulas, a choice carried over from the 1948 law. Instead of using only the old base (1909-1914) for the index of farm prices to non-farm prices (including taxes paid by farmers), the Department of Agriculture was directed to adjust parity prices of individual commodities on the basis of a 10-year moving average of prices received by farmers, subject to the restriction that no parity price could be reduced more than 5 per cent in any one year. The 1909-1914 base was still optional, however, for the six "basic" commodities. As between the two bases for the six "basic" commodities, the Department was directed to choose for the following four-year period the base most favorable to farmers.

3. *The Brannan Plan*

Notwithstanding all the postwar readjustment to prewar "agricultural adjustment," farm surpluses continued to grow and farm prices continued to fall. In 1948, for example, cotton fell below parity, and one-third of the 1948 crop was under nonrecourse loan to the C.C.C. The Secretary of Agriculture had a solution: production payments. Said Secretary Charles F. Brannan in 1949 in introducing what was soon called the Brannan Plan:

> In March of this year farm prices were 15 per cent lower than they were at the beginning of last year, while prices paid by farmers were down only two per cent from the peak reached last summer. In this period some indus-

trial prices continued to rise. Farm purchasing power turned downwards in 1948 and is now at the lowest level since 1942.[2]

The Secretary complained of "bumper crops" and of the government's being forced to buy "considerable quantities" of surplus commodities. What the Secretary was admitting was, in effect, the failure of farm intervention, with all of its attempts to suppress production and rig prices. But the Secretary had a remedy, one that gave rise to a long and lively debate. At a glance, the Brannan Plan offered, or so it looked, higher incomes to farmers, lower prices to consumers, and, hopefully, no surpluses to the government. This would certainly please everybody.

How did Secretary Brannan propose to do this? First, price supports were to be modified. "Income criteria rather than price criteria," he said, would be the new standard of support. Support levels would be flexible and would depend on several factors to be weighed by the Secretary. Some direct-income payments—the difference between the market price and the support price—to farmers were to be used, especially for perishable commodities. In effect, then, millions of farmers would be on the government payroll. A ten-year moving average would be employed for the income-support standard (a similar idea was embodied in the Agricultural Act of 1948). Said Mr. Brannan:

As formulas go, this is quite simple. As the starting base, it takes the average annual purchasing power of cash receipts for the years 1939 through 1948, which figures we already have. This purchasing power is deter-

mined by dividing cash receipts for each year by the same year's index of prices paid by farmers for goods and services, including allowances for interest and taxes—that is, the "parity index" as we now know it. In terms of average 1939-48 farm purchasing power dollars, this case is $18,218,000,000.[3]

Mr. Brannan specified a limit on the size of the farm operation eligible for income support. In other words, only small farm operators were to get the full benefit of the subsidies. Farmers producing more than imposed limits "would not enjoy support on the excess." The initial limitations proposed by Mr. Brannan, however, were so high that only a few very large farms would have been excluded from full participation. Still, there is good reason to believe that limitations, once adopted as a principle, would be quickly lowered to favor the small operator.

The Brannan Plan was said to be new, but it depended upon all of the old paraphernalia of loans without recourse, marketing agreements, acreage restrictions, direct government purchases, conservation payments, and so on. And, although the Plan represented a partial recognition of the market forces of supply and demand, the co-operating farmer would be anything but free. The farmer would be told how much to plant, how much to harvest, how much to market, and when and where to market it. Said the Secretary:

> It is obvious, of course, that the use of production payments must be qualified in such a manner as to avoid extremely depressed prices in the market place or a wasteful use of soil resources.[4]

Further, when pressed by the Congressional farm committees about the cost of the Plan, Mr. Brannan shied away. The cost had been reckoned in the Agriculture Department, probably without too much accuracy, but the Secretary suppressed it.

The Brannan Plan had defenders and detractors. Mr. Truman (and Mr. Brannan!) and most Democrats were for it. The Republicans were solidly against it. The "liberal" Farmers' Union was, and still is, for it. The two biggest farm organizations, the American Farm Bureau Federation and the National Grange, were against it. Major farm economists, such as Professor John D. Black of Harvard University and Professor Theodore W. Schultz of the University of Chicago, were against it.

Allan B. Kline of the American Farm Bureau opposed the Brannan Plan on the grounds that "it is a statement of politico-economic philosophy—not a farm program."[5] Master Albert Goss of the National Grange voiced his strong objections because "we prefer a free economy to a controlled economy."[6] Professor Schultz criticized the Plan in part as follows:

> It has jerked agricultural policy out of the peaceful calm of bi-partisan politics, handled heretofore by the two agricultural committees of Congress. It has shoved farm policy out into the rough and tumble of highly partisan politics.[7]

Professor Black believed that the Plan would invite evasion of government-imposed production limits, would be far dearer than the existing farm policy, and would not penalize expanded production. Moreover, he said that

the Plan made food and fibers cheaper for all and not just for the poor, whereas the "food-stamp plan" he favored would benefit only the low-income group.[8]

4. *The Eisenhower Administration*

The debate over the Brannan Plan in 1949 and early 1950 subsided under new developments: the Communist invasion of South Korea in June, 1950, and the victory of the Republicans in the November Congressional election. Korea meant the reimposition of wartime wage and price controls, although Congress purposefully allowed many loopholes (escalators). Organized labor quickly won from the government a 10 per cent wage boost over the wage level of January, 1950, and businessmen were assured of profit margins. According to the Defense Production Act of 1950, agricultural ceilings were not to be set below the highest of two alternatives: (1) parity; or (2) the highest prices paid between May 24 and June 24, 1950.

The government's actions on cotton were very unpopular with cotton growers. In October, 1950, Secretary Brannan ordered export restrictions on cotton, and in March, 1951, Director of Price Stabilization Michael V. Di Salle imposed an average ceiling price of 45.76 cents per pound on cotton.

The Truman administration did little that won public approval, as opinion polls showed. In early 1952, Mr. Truman withdrew from the race for the Democratic nomination, and the Democratic convention nominated Adlai E. Stevenson. Even then the Democrats could not

prevail against the charge of "Korea, Corruption, Communists." Twenty years of Democratic rule was ended, and, presumably, the Fair Deal was history.

The course followed by Republican Secretary of Agriculture Ezra Taft Benson has not been one of strict reliance on the free market—presumably impossible in the American political situation—nor has it been smooth. The lack of smoothness can be attributed to the legislative maze and the powerful farm bloc, Democratic and Republican, that Secretary Benson inherited. The inheritance had been cemented by the Republican party in 1952 with its farm plank and its Presidential candidate. Said the pertinent part of the platform:

> We favor a farm program aimed at full parity prices for all farm products in the market place.[9]

Said Dwight D. Eisenhower in his first major campaign speech on farm policy:

> . . . And here, and now, without any "ifs" or "buts," I say to you that I stand behind—and the Republican Party stands behind—the price support laws now on the books. This includes the amendment to the basic farm Act, passed by votes of both parties in Congress, to continue through 1954 the price supports on basic commodities at 90 per cent of parity. . . .
>
> Our goal will be sound, farmer-run programs that safeguard agriculture, but do not regiment you, do not put the Federal Government in charge of your farms. We must, by using good old-fashioned horse sense, figure out sound methods of maintaining agriculture's freedom to shift patterns of production without losing the basic protections to which agriculture is entitled. . . .

> I firmly believe that agriculture is entitled to a fair, full share of the national income and it must be a policy of Government to help agriculture achieve this goal in ways that minimize Government control and protect the farmers' independence. All I know of farmers convinces me that they would rather earn their share than to have it as a Government handout.
>
> And a fair share is not merely 90 per cent of parity—it is full parity.[10]

When President-elect Eisenhower offered Mr. Benson the post of Secretary of Agriculture, the Utah Mormon was reluctant, saying that he was a clergyman and doubted that he could ever engage in politics, where expediency is frequently the rule. Mr. Eisenhower insisted, asserting that integrity was the heart of the mandate given him by the American people.[11]

Secretary Benson has abstained from politics, if not perfectly, remarkably well. In his very first major farm-policy speech while in office, the Secrtary showed strength and candor. On February 10, 1953, at St. Paul, Minnesota, he said that price supports had served "to encourage uneconomic production and result in continuing heavy surpluses and subsidies" and were at best "disaster insurance." With a courage that is rare among politicians, he declared that farmers had to contribute their share to

> turn America back from an era of unbalanced budgets, of free spending, of inflation, of taxation that had reached confiscatory levels, of giveaway government programs that were steadily and surely undermining the moral and spiritual values of our people.

During his first year of office, Secretary Benson suffered many slings and arrows. Farm prices fell, hard.

In August, 1953, in a U.S.D.A. poll, the nation's wheat farmers voted overwhelmingly for continued high price supports with acreage restrictions. The wheat farmers, however, were given a Hobson's choice: if they approved marketing quotas, those who stayed within their allotments were to get price supports within the range of 75-90 per cent of parity. If producers had disapproved quotas, they would have been required to comply with the same acreage allotments in order to get price support at 50 per cent of parity. Further, in a Wisconsin farm district, the Republicans lost an important Congressional seat in a special election. The turn of events was blamed on the new Republican Secretary. Spokesmen in the farm bloc asked Mr. Benson to resign. The Chairman of the House Agriculture Committee, Clifford Hope, Republican of Kansas, declared: "We don't intend to do away with present farm programs unless we get something better."[12] And, in the midst of the so-called "farm crisis," Secretary Benson was repeatedly reminded of a remark by Mr. Eisenhower during the 1952 campaign that, if elected, he, Mr. Eisenhower, promised farmers 100 per cent of parity in the market place.

Still, if the Democrats were committed to radicalism, the Republican party would be wedded to, well, if not conservatism then "moderation," or, as someone on Madison Avenue put it, "Modern Republicanism." And if the other party posed as a bureaucratic boss to the farmer, the Republicans were committed, politically, to "partnership" and farm "aid"—i.e., moderate intervention. This seems to be the only explanation of Republican farm policy that has embraced such hampered market devices as "flexible supports," overseas surplus disposal, and

"soil banks." Like it or not, Secretary Benson was deeply involved in politics. Still, he has brought to the Agriculture Department a refreshing and publicly stated aversion to controls and subsidies, a factor not calculated to endear him to the farm bloc.

5. *The Agricultural Act of 1954*

Surpluses have piled up in the Republican era, just as they did in the Democratic era. In April, 1953, the government's inventory of butter, for example, was 125,000,000 pounds. By July, the butter figure reached 178,000,000 pounds; by September, 200,000,000; and by October, 278,000,000. All told, the C.C.C.'s "investment" in surpluses grew and grew until, by the end of 1954, it totaled some $7,000,000,000, better than double its size at the beginning of 1953. Still, these surpluses stemmed mostly from the 1952 and 1953 crops, which had been produced under pre-1954 legislation and, to a large extent, the Brannan Administration direction.

To cope with such surpluses under powerful political pressure, the Republican President and his Secretary of Agriculture sought a farm program based on the flexible-supports idea used by the Republican Eightieth Congress in the Agricultural Act of 1948. The administration's supports would range from 75 to 90 per cent of parity, at the discretion of the Secretary. The Secretary would "flex" a parity support level upward when a particular crop, say, wheat, was in short supply or expected to be in short supply and downward when a crop was in oversupply or expected to be in oversupply. Congress, though, could cut the Secretary's discretionary power by

an escalator provision, use of which dates back to the 1938 AAA.

After a parliamentary struggle with the "rigid" (meaning 90 per cent of parity) support bloc, however, the President and his Secretary settled for a compromise: a range of 82.5 to 90 per cent of parity for the 1955 crop and slightly lower supports afterwards. Moreover, the Agricultural Act of 1954, as passed, called for few changes in the production and marketing-control devices in existing farm policy. Importantly, the Act provided for a "set-aside" of up to $2,500,000,000 of surplus farm commodities held by the Commodity Credit Corporation. The Corporation was authorized to dispose of the set-asides through non-commercial channels, partly relieving pressures on depressed commodity prices and strained storage facilities. But, above all, the set-asides were to prevent the surpluses from depressing the government's support level too much at the start of the flexible price-support program. This was to be done by the U.S.D.A.'s isolating these quantities from the total supply in calculating and determining the "normal supply percentage" used as the basis for the support level. In brief, a bit of bookkeeping legerdemain.

The set-asides were too modest. In July of 1955, near the close of the Congressional session, Under Secretary of Agriculture True D. Morse hurriedly got off letters to Congressional farm leaders that the C.C.C.'s commitment in surpluses amounted to $8,700,000,000 as of June 30, 1955, and that the C.C.C. was in danger of exhausting its borrowing-authority limit of $10,000,000,000. Congress responded in the last days of the 1955 session by advancing the borrowing authority of the C.C.C. from $10,000,-

000,000 to $12,000,000,000. In his letters, Mr. Morse said that the losses of the C.C.C. operations for 1955 were expected to reach $1,000,000,000 instead of the $749,000,000 estimated in the budget.

The growth of big stockpiles of government food and fiber was retarded and temporarily reversed by the overseas surplus-disposal program authorized by the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). The Act is similar in effect to the two-price scheme of the McNary-Haugen bills of the 1920's. Public Law 480 initially called for an expenditure of one billion dollars in a three-year program of subsidized surplus exports. In 1956, the Act was extended and greatly expanded. An amendment permitted barter transactions with East European Communist satellite countries and the donation of surpluses to these countries. In 1958, still another year's extension, with an appropriation of one and one-half billion dollars, was granted to the President. He requested still another year's extension for P. L. 480 in 1959.

The overseas surplus-disposal law permits the sale and barter of U.S. surpluses on a state-to-state dollar or foreign-currency basis, usually with private traders handling the actual distribution. The law also allows outright food donations to countries stricken by natural disaster and to U.S. voluntary agencies, such as CARE, the Church World Service, and Catholic Relief. As an indication of the program's magnitude, farm "exports" climbed to a record $4,700,000,000 in the fiscal year 1957, which was 68 per cent higher than the figure for fiscal year 1953. The increase is almost entirely attributable to the overseas disposal program.

To the dismay of the Republicans, farm prices fell and farm surpluses mounted throughout 1953, 1954, and 1955. Pivotal farm states and farm districts shifted from the Republican columns of 1952 to the Democratic columns of 1954, so that when Congress convened in January, 1955, it was in the hands of the Democrats. The farm switch, attributed to other factors, too, continued in the 1956 and 1958 elections. "Moderation" did not click throughout the rural belt. The reason for the switch is likely best seen in falling farm incomes. Department of Agriculture figures trace the slide: in 1952, farm operators' net income totaled $15,100,000,000; in 1953, $13,300,000,000; in 1954, $12,500,000,000; in 1955, $11,-700,000,000; and in 1956, $11,400,000,000.[13] True, the trend was reversed in 1957 and 1958, but it was, apparently, too little and too late to stem the Democratic tide in the farm states. The Republicans vainly tried to blame the Democrats. The farm-income decline, they said, was to be charged to the "mess" inherited in 1953. The argument did not work.

6. *The Soil Bank and After*

The year 1956 was a Presidential-election year, and Republican strategy was critical. How to contain the revolt of the farmers? The Eisenhower administration had an answer. The Republicans introduced their own contribution to farm policy, the Soil Bank. The theory behind the Soil Bank was not simply to restrict the acreage of surplus crops but to prevent the farmer from using his restricted land for the growing of unrestricted crops

and thus producing more surpluses. So instead of, say, a surplus of wheat, bumper crops of soybeans, flax, and barley created new problems. The bank would cure all this. Besides, the idea of a bank had political appeal: the soil in reserve was to be saved for a rainy day—a war perhaps or the next surge of population that would increase food and fiber consumption.

But getting the Soil Bank was no easy matter for the President and his Secretary of Agriculture. The Democrats, detecting the vote-getting power of the scheme, protested that President Eisenhower already had authority to operate a Soil Bank based on the 1936 Soil Conservation and Domestic Allotment Act, a Democratic law. In the spring of 1956, the Democrats managed to get an omnibus farm bill, sans Soil Bank, through both houses, only to see it vetoed on April 16, 1956. In his veto message, the President contended that the vetoed bill provided "equal or greater incentive to increase production and accumulate more surplus." Mr. Eisenhower then requested a revised bill containing a provision for a Soil Bank.

By May, after the usual acrimonious Congressional debates and involved parliamentary maneuverings, a compromise farm bill was signed by the President; the law contained the controversial Soil Bank, with an authorization to pay the nation's farmers up to $1,200,000,000 annually for taking part of their land out of cultivation. Of this amount, $750,000,000 was for the "acreage reserve," a four-year emergency plan for withdrawing basic-crop land—wheat, cotton, corn, tobacco, rice, and peanuts (later withdrawn) —from production, and $450,-

000,000 was for the "conservation reserve," a plan for the conversion of other cropland (about twenty-five million acres) to grass, trees, and similar "soil-conserving use" on a longer-term basis (not less than three years nor more than fifteen). In 1958, under the conservation-reserve phase of the Soil Bank, farmers got an average of ten dollars per acre for retiring their acreage. To cut ever growing surpluses by drawing much greater acreage into the Soil Bank, the U.S.D.A. raised the rental price it would pay on the 1959 crop to an average of $13.50 an acre, an increase of 35 per cent.

The Soil Bank became effective with the 1956 crop. Payments were offered to farmers who would plow under part of their 1956 crops, as well as to farmers who had not begun their 1956 plantings. Most of the 1956 crop, however, was already planted, and the nation again, as during the heyday of the New Deal, saw young fields of crops plowed under. Still, the public had grown to expect strange doings under the name of "farm policy."

Has the Soil Bank worked? The answer is no. The Soil Bank has been in force for three years. Farmers put twenty-one million acres in the Soil Bank in 1957, cutting the nation's cultivated acreage to the lowest point since 1919, yet the total crop production for 1957 equaled the record years of 1948 and 1956. And 1958 set an all-time record harvest (11 per cent higher than the record-setting 1957 production), forcing up the government's investment in wheat alone to more than three billion dollars. This Soil Bank anomaly is possible because in practice, farmers "bank" their poorest land and pour ferti-

lizer and extra care on the remaining acreage. Thus the yield on 80 per cent of a farm can be as great or greater than on 100 per cent. Meanwhile, the farmer pockets the Soil Bank check.

In 1957, Congress voted to place the Agricultural Conservation Program on virtually a permanent basis, extending it until December 31, 1962. For twenty-one years it had been a "temporary" program, renewed year after year and costing $6,012,536,000 in federal funds between 1936 and 1955. Secretary Benson, soon after taking office, had tried to cut funds for the program; Congress apparently answered the Secretary by making it "permanent."

The year 1958 saw the usual farm politicking. The Eisenhower administration called for authority to reduce supports on basic crops as far as 60 per cent of parity, compared to the current floor of 75 per cent. On March 13, 1958, the Senate passed, by a 50-to-43 vote, a bill to freeze government price supports and acreage allotments in major crops against any reductions from 1957 levels. Even Senate Republicans, in a policy meeting, voted seventeen to fourteen to urge the President to sign the bill. The President vetoed the bill on March 31, 1958. Part of the President's veto message read:

To the Senate:

I return herewith, without my approval, Senate Joint Resolution 162. I have given earnest consideration to the many representations made to me both for and against it. It is my judgment that to approve this resolution would be ill-advised, from the standpoint both of the nation and of our farm families as well. It is regrettable that for the second time in two years the Congress has

sent me a farm bill which I cannot in good conscience approve.

Specifically, the resolution would have such consequences as these:

1. It would pile up more farm products in Government warehouses.
2. It would restrict the growth of markets.
3. It would postpone the day when agriculture can be released from the strait-jacket of controls.
4. It would by-pass the problems of the small operator who produces so little for sale that price supports have scant meaning.
5. It would hold up the needed transition to modern parity and would in fact disregard the parity principle.
6. It would be unfair to those winter wheat growers who signed up under the 1958 acreage reserve program with the understanding that the price supports which had then been announced would be the effective rate.

This resolution would fix farm price supports and farm acreage allotments at not less than existing levels. The true need is to relate both price supports and acreage allotments to growing market opportunities.

With regard to Government controls, what the farm economy needs is a thaw rather than a freeze.

The Republican administration's attack on the farm-support freeze was aided by an unexpected reversal in the long downward trend of farm income. The realized net income of farmers in the first half of 1958 was at the annual rate of $13,300,000,000, a gain of 22 per cent over the same half of 1957; April, 1958 farm prices were the highest since January, 1953. The farm bloc backed down a bit. The administration won a farm law—the Agricultural Act of 1958—based on the theory that greater flexibility in price supports would bring about larger markets. But the Act lacked all the provisions that Secretary

Benson had sought; the plight of wheat, tobacco, and peanuts was ignored. The essence of the three main provisions follows:

Cotton: Growers with allotments to get price support in 1959 at a minimum of 80 per cent of parity, 75 in 1960, 70 in 1961, and a minimum of 65 per cent of parity in 1962. In 1959 and 1960 growers can choose to grow up to 40 per cent more than their share of the national allotment, but at price supports 15 parity points below those for complying farmers. A minimum national acreage allotment of 16 million acres in 1959-60 as against the less than 14 million under prior law. Beginning with the 1961 crop, price supports to be set without regard to the cotton supply, thereby eliminating the escalator clause.

Corn: A national referendum of corn producers [held November 25, 1958] in which farmers chose between two alternatives: continuation of acreage controls with price supports at 75-90 per cent of parity, depending on the corn supply; or a new program without acreage controls with price supports at 90 per cent of the average market price of the three prior crop years, but not less than 65 per cent of parity.

Rice: Minimum national acreage allotments established for 1957 and 1958 to be extended indefinitely. Minimum supports in 1959 and 1960 to remain at 75 per cent of parity (the level of 1958); the minimum support in 1961 to decrease to 70 per cent and thereafter to 65 per cent, with termination of required escalation beginning in 1959.

The Benson-Eisenhower victory in the Congress was bought with a heavy toll in the 1958 election. The Democrats overwhelmed the Republicans, especially in the farm states, although again, other issues played their parts. On November 25, 1958, the corn farmers voted, approximately three to one, for the ending of twenty-five

years of corn-acreage control. Mr. Benson hailed the vote as a victory for freer farming, even though the farmers had not by any means voted to end corn supports. And would the freer farming in the 1958 act hold in the face of a powerful Democratic reconstitution of Congress beginning in 1959? Said Senator Paul Douglas (D., Ill.):

> Who won the election, Eisenhower and Benson or the Democrats? We won in the farm states because the people wanted something new.[14]

In his 1959 farm message to Congress, President Eisenhower asked for two things: lower props and "Food for Peace." "Food for Peace" is a plan, already set in motion, calling for the U.S. and its allies to use its agricultural surpluses jointly in the interest of—in the President's words—"reinforcing peace and the well-being of friendly peoples throughout the world—in short, using food for peace." Achievement of lower props, the President's first aim, was dubious in the face of the heavily Democratic Congress.

Intervention breeds intervention. From Truman to Eisenhower, the farm budget has grown steadily, while the American economy and the efficient American farmer (well able to take care of the food and fiber needs of the nation) enjoyed an era of unprecedented prosperity. Yet throughout this period, the evolution of farm policy has steadily moved toward increasing complexity, costliness, government involvement, and increasing encroachment upon the farmer's range of management. Meanwhile, the objectives of farm policy—the elimination of surpluses,

the stability of farm income, and, for the Republican administration at least, the eventual withdrawal of government intervention from agriculture—fade further and further into the background.

In 1952, the Republicans ran on the slogan "It's Time for a Change." Millions of Americans voted for that change. In farm policy, certainly, no appreciable change is observable, although there are indeed such innovations as the Soil Bank and overseas disposal. Yet the Republican administration has sincerely tried to reverse the increasingly interventionistic course of farm policy. The Republican President and his embattled Secretary of Agriculture (including some Republican farm politicians) were licked by politics and interventionist planning. These two key elements of the farm problem—political maneuvering and interventionist planning—will now be analyzed as the roots of the farm problem.

CHAPTER VII

Analysis

> Well, I didn't plant any wheat in my wheatfields, and
> I didn't plant any corn in my cornfields, so, all in all,
> I ought to have a good year this year.
>
> —Caption on a *New Yorker* cartoon

1. *The Department of Agriculture—A Bird's-Eye View*

What is the Department of Agriculture? First of all, it is a bureaucracy: 22,000 strong in 1933 and 81,000 strong today, including a 30 per cent rise since the Republican administration has taken office. What does the bureaucracy do? Many things. For example, it conducts a graduate school which teaches practically no subjects devoted to farming but, among other things, fiction writing, mathematics, and group behavior. For another example, in the name of soil and water conservation, it designs fish ponds on farmers' property, pays half or more of the construction costs, supplies free fingerlings, and advises on angling. It prepares literally thousands of pamphlets, including one on the use of tools in home dishwashing, and another called "Buying Men's Suits" (Miscellaneous Publication No. 688).

Where are U.S.D.A. personnel to be found? Much of the bureaucracy is housed in the group of massive buildings at Independence Avenue and from 12th to 14th streets in Washington. Many more are in the field services ranging across the wheat belt, the corn-and-hog belt, the Northern dairy country, the Southern cotton country, in the potato country of Maine, and in the Imperial Valley of California—in short, throughout the entire U.S. farm country. The first Hoover Commission report gives an idea of the penetration. There were, for example, 47 U.S.D.A. employees attached to seven different districts and field services in one cotton county in Georgia, 184 U.S.D.A. employees in a fruit and grazing county in Washington State, 88 U.S.D.A. workers in a dairy county in Maryland. Superimposed upon this bureaucracy in the field is a network of voluntary county advisory committees of farmers to give an air of democracy to government direction. The essence of this direction is subsidization and price-fixing, direct and indirect. The U.S.D.A. is involved with lending activities, conservation efforts, rural electrification, farm research, meat inspection, agricultural publications, extension work, farm management, and the like. But the *raison d'être* of the Department appears to be the direct and indirect control of prices: a massive attempt to assure the level of the farmer's income.

What is the Department of Agriculture? It is one of the nation's biggest single lenders of funds. For the year ending June 30, 1958, the Department of Agriculture estimated that it made loans totaling $3,509,000,000 to farmers and farmer organizations. For the fiscal year 1959, the Department expects to lend $3,130,000,000.

The largest loans are made by the Department's Commodity Credit Corporation, in the amount of $2,908,000,000 for fiscal 1958 and $2,528,000,000 for fiscal 1959. These loans are made on selected crops for support of farm prices. The expected drop for 1959 in the C.C.C.'s lending operations is based on the hope that the Soil Bank will have eased the surplus problem.

Second in volume are loans made by the U.S.D.A.'s Rural Electrification Administration to organized farmer groups, usually rural utility "non-profit" co-operatives, for the establishment and expansion of rural power projects. Such loans are estimated for fiscal 1958 at $239,000,000 and $209,000,000 for fiscal 1959. The R.E.A. has provided loans for electric service to more than five million rural consumers through more than one thousand electric borrowers. The R.E.A. also makes loans for rural telephone systems—$131,000,000 for 1958 and $92,000,000 for 1959.

The U.S.D.A. also embraces the Farmers' Home Administration, which made loans totaling $180,000,000 in 1958 and expects to lend a similar amount in 1959 to farmers for operating their farms, providing they are "family" farms. The Farmers' Home Administration also extends loans to farmers to purchase farms and to construct and improve farm buildings. Such loans amounted to $54,000,000 in 1958, compared with an expected $100,000,000 in 1959. In addition, this agency offers so-called disaster or emergency loans to farmers when such help is not otherwise available. Included in this classification are "economic emergency" loans, "special livestock" loans, and "general special emergency" loans.

The Department also has provision for loans to farmers and organized farmer groups for soil and water conservation purposes. These loans reached $5,000,000 in 1958 and again in 1959. Another $8,000,000 is generally appropriated each year for loans to farmers for the construction of grain-storage bins and facilities on their farms.

What is the Department of Agriculture? It is one of the largest distributors of cash grants, payments, and subsidies. The giant in this category is the Soil Bank. The Department estimates that it paid $1,131,000,000 in the fiscal year 1958 and $1,160,000,000 in the fiscal year 1959 to farmers withdrawing some of their farm land from cultivation and putting it into grass or other "soil-conserving" use. Next in monetary volume are payments to farmers who carry out approved soil and water conservation practices. These payments reached $245,000,000 in 1958 and $253,000,000 in 1959. Subsidies to domestic sugar producers are estimated at $65,000,000 in 1958 and $60,000,000 in 1959. Similarly, domestic wool producers were paid $75,000,000 in subsidy payments in 1958 and in 1959 an estimated $75,000,000. Finally, the Department makes grants-in-aid to the states and territories to help finance various programs. All in all, the Department costs the taxpayers, counting auxiliary programs in other departments but not counting the cost of higher consumer food and fiber prices, more than $6,000,000,000 a year or an average of about $1,300 per farm. This, in brief, is the United States Department of Agriculture on the eve of the 1960's.

2. *Revolution Down on the Farm**

At the turn of the twentieth century, the now familiar tractor had yet to make its appearance on the American farm. The engine was the horse and the mule—and, in good measure, the farmer himself. Before long the first tractors made their appearance: steam or gasoline driven, big, slow, awkward, wheezy, given to frequent mechanical failures, good for turning belts and plowing flat stretches, and just marginal at that. Like its mechanical brother on the road, it was not uncommonly greeted with "Get a horse."

Today's tractor, with such standard equipment as headlights, balloon tires, self-starter, and perhaps fluid drive and power steering, has all but displaced the horse and mule. It's a compact, efficient, quick-moving, and highly maneuverable power plant. Coupled with attachments, it can not only perform the usual field chores but can also pump, lift, pull, carry, dig, push, and level. With a generator attachment, it provides electricity for blowers, portable saws, arc welding, and so on. With a pumping attachment, it can pump water and spray insecticides and weed-killing chemicals. There are now more than four and one-half million tractors on American farms—an average of one for every farm. There are also on the

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farm the other horse replacements: four and one-half million automobiles and three million trucks.

Just this facet of "horsepower" mechanization gives an inkling of the technological revolution down on the farm. This revolution embraces not only mechanical wonders but also new animal-husbandry techniques, planting methods, animal vaccines, fertilizers, feeds, seeds, plant hormones, weed killers, insecticides, sprays, washes, and even radioisotopes. In 1956, to cite an example, the American farmer used 71 per cent more fertilizer on his fields than he did in 1948 and better than four times as much as he used in 1930.

As a result, per-acre yields are showing an almost certain gain in productivity year after year. As a further result, lambs and poultry, beef and dairy cattle, pigs and calves are getting bigger faster and—with the exception of layers and dairy cattle—to market sooner. Chickens are laying more eggs (terramycin, for instance, boosts egg production from 6 to 37 per cent, with the average working out to 25 per cent). Cows are giving more milk. Hogs are yielding more meat and less fat. Female farm animals of breeding age accounted for an average of 38 per cent more offspring per animal in 1956 than in 1930, a dramatic result of superior hygiene, better feeds and injections, and better breeds.

In his *Atomic Energy in Agriculture,*[1] William E. Dick, a British research biologist, shows how technology in radioisotopes and atomic energy, as yet in its infancy as far as farming is concerned, has already found ways to destroy and control insects and plant diseases, speed up growing cycles, and introduce cross-fertilization and mu-

tations for plant varieties and yields hitherto impossible. Thanks to nuclear science alone, food spoilage may soon be reduced to a point of negligibility, and inexpensive, wholesale preservation of perishable foods may soon become possible.

The effects of the technological revolution are evident in the following statement, made by Assistant Secretary of Agriculture Earl L. Butz in 1955:

> In the 15 years since the beginning of World War II, American farmers have increased their total production by 35 per cent, with no increase in acres.[2]

This increase was accomplished despite a drop of 28 per cent in the number of farm workers during that period.

The revolution is seen dramatically in cotton production. Today there are about 850,000 cotton growers, just about half the 1,600,000 cotton farmers of 1940, and cotton acreage is also markedly down. Yet cotton technology, along with some shifting to more fertile lands, has almost made up for the heavy cutback in cotton farmers and cotton acreage. Per-acre yields have climbed to 400 pounds of cotton in 1956, well up from the 250 pounds in 1940 and 200 pounds in the early 1930's. Department of Agriculture figures show the following production improvement for "basic" crops on a per-acre basis:

	Corn (bu.)	Wheat (bu.)	Rice (lbs.)	Cotton (lbs.)	Tobacco (lbs.)	Peanuts (lbs.)
Average 1939-43	31.2	16.4	2101	249.7	985	703.8
Average 1952-56	41.1	18.7	2693	404.9	1333	952.3

But even the 1952-56 figures are "dated." The average U.S. yield of corn, for example, is now around 51 bushels an acre or 10 higher than the 1952-56 average.

President Eisenhower said in his 1958 farm message to Congress:

> The rapid changes taking place in agriculture are largely the result of a major breakthrough in agricultural science and technology. In recent years agriculture has been experiencing a veritable revolution in productivity. A century ago, an American farm worker fed himself and three others. Today he feeds himself and twenty others. A century ago, our population was 82 per cent rural. Today it is only one-third rural and only 12 per cent of our population actually live on farms. Farm production per man hour has doubled since 1940. There has been more change in agriculture within the lifetime of men now living than in the previous two thousand years.[3]

The President's point on the doubling of farm productivity per man hour since 1940 is further emphasized in the fact that this increase is as great as the total increase in the 120 years between 1820 and 1940. Today a farmer with modern equipment can plow one acre in 48 minutes as compared to 2.6 hours in 1920. He can dig sixty post holes in 2.5 hours as compared to ten hours in 1920. Today he can do by machine what only recently he did by hand—bale hay, shuck corn, pick cotton, chop forage, plant seed, cut grain, and fertilize land. A mechanical cotton-picker replaces forty to eighty human pickers. A potato-digging machine can outpace seventeen men. A green-bean-picking machine is equivalent to fifty manual pickers. A mechanical celery-picker not only does the

picking but also packs the celery in cartons on the field.

The big economic upshot of this revolution is that bigger farms with fewer workers are feeding more people. In 1930, there were 12,497,000 farm workers; in 1940, 10,979,000; and in 1956, 7,869,000, including farmers themselves and hired workers. Technology, in a sense, forces up the size of farms in order to get greater utilization of farm machinery and reduce per-unit overhead. In 1940, the average farm was 174 acres; in 1950, 215 acres; and in 1956, 242 acres. In 1935, there were 6,800,000 farmers (including owners, part-owners, and tenants); in 1940, 6,100,000; in 1950, 5,400,000; in 1956, 4,800,000.

The farm technological "breakthrough," to use President Eisenhower's word, partially accounts for the magnitude of today's farm problem. The tractor and other farm machinery have all but eliminated draft animals and their feed. This development alone has enabled American farmers to divert perhaps sixty million acres to human-food production. This fact, plus the soaring per-acre yields and the continuing high government agricultural price supports, account for the burgeoning Commodity Credit Corporation hoards.

The price supports boomerang against the American farmer in other ways besides the cutting back of domestic and foreign markets by discouraging demand. Price supports hold an umbrella over foreign agricultural producers and domestic and foreign synthetic producers and thereby spur competition.

Consider the inroads of synthetics, themselves constituting quite a technological revolution. Until 1930, fibers came almost wholly from natural sources—cotton,

wool, flax, hemp, and silk. Soap was made from agricultural oils and fats. Adhesives originated from starch, glue, and plant gum. Luggage and shoes were usually made of leather. Paints originated from vegetable oils. Alcohol was made from molasses and corn.

This position of agriculture was not to last. In its interim report, issued in 1957, the U.S. Commission on Increased Industrial Use of Agricultural Products, a body created by the Eighty-fourth Congress, notes that farm fibers have lost 45 per cent of their former markets to synthetics—rayon, nylon, dacron, orlon, acrilan, and so on. Synthetic detergents have taken over two-thirds of the total household-soap market, thereby reducing the need for the farmer's inedible tallow and grease. In 1950, requirements for cattle-hide leathers could not be met from domestic sources, and imports were necessary, but by 1955, cattle hides were in surplus, and many hides had to be exported to less remunerative markets overseas. A big reason: 62 per cent of all domestic shoe soles in 1956 had materials other than leather in them. Luggage tells the same story; plastics, synthetics, adhesives, alcohol, and paints are also increasingly made from non-farm sources—alcohol, for example, from natural gas.

The Commission on Increased Industrial Use of Agricultural Products provides a lesson in practical politics. The Commission is a "safe" answer to farm surpluses. It is noncontroversial. But the idea of subsidizing the conversion of already subsidized surpluses into industrial products—an idea held by some farm bloc members and others—is highly controversial. The farm bloc could

more simply meet its foreign and synthetic competition and actually break the farm problem through the logical device of lowering or, better, abandoning price supports and wiping out all marketing and acreage controls. In short, return to the free market. This is a long run proposition, however, and elections are always held in the short run. Technology and politics, as the mounting farm surpluses show, don't mix.

3. *Farm Policy* versus *Foreign Policy*

In his January, 1958 farm message, President Eisenhower asked Congress for a one-year extension of the 1954 Trade Development and Assistance Act (Public Law 480), with an appropriation of $1,500,000,000 to subsidize sales of the government's surplus agricultural commodities to foreign nations. In his February, 1958 foreign-aid message, the President requested a $3.9-billion-dollar program of military, economic, and technical assistance to the "free world." Similar requests were put forth in 1959. The question arises, are subsidized farm commodity sales overseas compatible with the objective of American foreign aid and good foreign relations?

The magnitude of the American farm-surplus disposal program can be gauged from the 18-month program ending December 31, 1957, when $5,800,000,000 worth of government surpluses were disposed of abroad—about one-fourth of all U.S. exports in that period, subsidized and unsubsidized, agricultural and nonagricultural. Such overseas farm "sales" are generally regarded as dumping,

with reason, by many foreign governments and their farmers and thus, in great measure, undo much of the supposed good will engendered by foreign aid.

When the U.S. government subsidizes the sale of a particular surplus commodity that has no local competition in the country in which it is to be sold, local farm ill will is minimized but rarely eliminated. This is because nearly all foods and natural fibers can be replaced with substitutes to some degree. If the U.S. government dumps, let us say, surplus cotton on a flax-producing country, the price of flax in local markets naturally tends to fall. The local flax farmer quickly puts two and two together. He says to himself: "Why should my countrymen buy our flax when they can buy American cotton for a song?"

The ill will resulting from dumping becomes more puzzling in the face of "technical aid." The U.S. government, through its technical-aid program ($142,000,000 requested for the fiscal year 1959, with another $20,000,000 for the U.N. Technical Assistance Program), is assisting foreign growers by teaching them better cultivation methods. Thus the U.S. government boosts production for foreign farmers with one hand and destroys part of their market with the other.

Because of various phases of the American surplus-disposal program, formal protests against the United States have been registered by Australia, Brazil, Canada, Denmark, Burma, the Netherlands, Mexico, Argentina, New Zealand, and Uruguay. Canada has been especially vociferous.[4] To American assurances that we would exercise care to "avoid depressing prices and generally dis-

rupting world markets," Donald M. Fleming, Canada's finance minister, declared in December, 1957: "While appreciating these assurances the Canadian government, however, will continue to regard with an anxious and apprehensive eye fire-sale disposal policies."[5] In addition, the United States has been criticized in meetings of the General Agreement on Tariffs and Trade (G.A.T.T.), the U.N.'s Food and Agriculture Organization (F.A.O.) and other international conferences. (The United States is not alone in being charged with dumping. At a meeting of G.A.T.T. in November, 1957, for example, the South African representative said that his country was concerned about French subsidized exports. Specifically, he said that the market for South African wine and brandy in the United Kingdom, Canada, and New Zealand was being damaged by the competition of subsidized French wine and brandy and that such competition was unfair.)[6]

Thus through surplus farm-goods sales overseas, the United States inadvertently alienates agricultural nations—Western and neutralist—and moves steadily away from its professed belief in the free multilateral trade and pure people-to-people exchanges, though private dealers usually handle the actual distribution of the surplus commodities. Moreover, all such sales tend to support any socialist proclivities in the recipient governmen and disrupt normal production and trade in the country.

In this regard, for example, is a surplus deal between the United States and India arranged in August, 1956. The sale, which included three and a half million tons of American wheat, amounted to $360,000,000—payable in

Indian rupees. These farm goods had cost our government $652,000,000. Moreover, of the rupees credited to the United States government, $54,000,000 was transferred to the Indian government as an outright gift, and $234,000,000 was lent to India over a forty-year period. The balance of the sale price was to remain in India to cover American office expenses and the purchase of strategic materials or Indian goods for other nations. Finally, the United States agreed to pay one-half of the ocean freight cost in shipping the surpluses from U.S. warehouses to India.

The magnitude of the India "sale" suggests a long-term disruption of normal Indian trade relations with the rest of the world (a similar sale was concluded with India in 1958). Yet throughout the U.S. government's surplus-disposal program, there is alleged to be exercise of caution to prevent disruption of world farm markets. Title I of the Trade Development and Assistance Act calls for "reasonable precautions" so that "sales under this Act will not unduly disrupt world prices of agricultural commodities." A common clause in bilateral agreements concluded under the Act declares:

> The two governments agree that they will take reasonable precautions to assure that all sales of agricultural surplus commodities pursuant to the Agricultural Trade Development and Assistance Act of 1954 will not unduly disrupt world prices of agricultural commodities, displace usual marketings of the United States in these commodities, or materially impair trade relations among the countries of the free world.[7]

The President, in his 1958 foreign-aid message, advanced as one of the purposes of American economic as-

sistance the fostering of foreign trade for underdeveloped nations. He said:

> They [the aided countries] must have technical assistance to train their manpower, to explore their resources and use them productively. They must have supplementary capital from abroad for investment in agriculture, power, transportation and industry. They must have help to tide them over economic difficulties that threaten their stability and cohesion. They must have increasing trade with availability of necessary imports and growing markets over a long term.

But "help" for "increasing trade," "necessary imports," and "growing markets" for underdeveloped nations is practically vitiated to the extent of our farm-surplus disposal program. And the program has caused quite a degree of American meddling in the internal affairs of other nations, as can be inferred from the following dispatch to the *New York Times*:

> The United States, which has spent more than $1,000,000,000 since the Korean war to help restore Spain's defenses and her economy, gives the nation huge quantities of excess American cotton—but abstains from helping Spain grow enough to supply her own needs.
>
> In the last four years, for example, the United States, in one form or another, has given Spain $146,000,000 worth of excess American cotton. United States experts know that short-staple cotton of an adequate type grows well in the hot, dry Spanish southland.
>
> Yet powerful American legislators from the farm bloc have so drafted the foreign aid laws that neither tractors, fertilizers nor other agricultural aid can be furnished Spain south of a line drawn geographically midway

across the nation, lest these might be used to stimulate Spanish cotton production.

United States Agricultural aid is concentrated north of the midway line, where cotton will not grow.[8]

The dangers of overseas farm-surplus disposal were also cited by Don Paarlberg, then Assistant Secretary of Agriculture. He stated:

> The continuation of special export programs may provide a rationale for postponing needed adjustments in prices and production. Why make needed changes in wheat legislation if P.L. 480 can be used to move the surpluses? Why improve production techniques abroad if the needed food can be obtained on a concessionary basis from the U.S.?
>
> There is the question as to how our special export programs might be withdrawn, and what effects this would cause among recipient nations if for some good reason it became necessary to terminate them. Are we over-committing the U.S.? If, while supplying wheat under special export programs we should fail to help recipient governments to lift their own levels of producing sufficiently, we might then have acquired a large permanent relief load. This would not be permanently helpful either to the nation which gives or to the nation which receives. The hazard is made the greater by the tremendous increase in human population, which in the low income countries of the free world may rise during the next five years by as much as 100 million people.
>
> Finally, we must also ask the question as to how much surplus can actually be distributed abroad without seriously jeopardizing normal commercial trade patterns.[9]

4. *The Paradox of Reclamation*

In 1957, the U.S. Department of Agriculture had 28,400,000 acres lying idle in the Soil Bank. To keep them

idle, government payments to farmers for Soil Bank participation alone totaled approximately $723,000,000 in 1957, with a similar amount spent in 1958. Meanwhile, another agency of the government, the U.S. Bureau of Reclamation, busily adds new farm acreage to the already abundant acreage for cultivation. In the fiscal year 1958, the Bureau added 150,700 acres of new cropland while adding supplementary, production-boosting water to another 93,600 acres. The Bureau's six-year program ending in 1960 is expected to yield 1,000,000 acres of new farm land and to supply supplementary water to 1,500,000 acres more. The cost of reclamation will be, depending on the nature of the specific projects, between $200 and $800 per acre and sometimes even higher, in some cases as high as $2,000 an acre. About this development, Secretary Benson has said:

> Our recent experience, together with forward projections, indicate that our existing agricultural plant has excess capacity. Until that capacity is in use, there can be little justification for adding to that capacity.[10]

Federal land reclamation, begun in 1902, shows the following growth:[11]

Irrigable land under completed works—in acres

1906	39,300	1936	3,693,417
1916	1,405,452	1946	5,150,831
1926	3,173,570	1953	7,147,528

How did the federal government get into the land-reclamation business? Perhaps the germ was spawned in

Civil War veterans homesteading in the West, perhaps in the Desert Land Act of 1877, which provided for the sale of 640 acres at $1.25 an acre to anyone who would irrigate the land within three years. Land and irrigation companies boomed. By 1890, more than 54,000 land irrigators had supplied water to more than 3,600,000 once-arid acres. Still, vast arid reaches went begging. In 1901, President Theodore Roosevelt signaled new far-reaching policies on irrigation. In his message to Congress, he declared:

> The [federal] reclamation and settlement of the arid lands will enrich every portion of our country, just as the settlement of the Ohio and Mississippi Valleys brought prosperity to the Atlantic States.[12]

On June 17, 1902, President Roosevelt signed the first reclamation act, which authorized the Secretary of the Interior to investigate, construct, and operate federal reclamation projects, with "construction costs to be repaid by the water users." Public lands on the projects were to be available, under homestead laws, in "family-size farms." The federal government was now directly in the reclamation and irrigation business.

Irrigation as a means to reclamation naturally led to corollary federal projects, chiefly hydroelectric power, thereby putting the federal government in the electric-utility business. The Bureau of Reclamation's report, *The Growth and Contribution of Federal Reclamation to an Expanding National Economy,* of October, 1954, expresses this development as follows:

For optimum development, control, and use of water resources, Federal reclamation multipurpose works are being constructed to serve irrigation, power, municipal water, flood control, navigation, fish and wildlife, recreation, pollution abatement, and other purposes. The inclusion of revenue-producing power facilities permits the construction of projects greater in cost than the repayment ability of the irrigation water users ordinarily would allow. Seventeen multipurpose reclamation projects with power facilities had been placed in operation by the end of fiscal year 1954. These projects have 29 power plants in operation with a nameplate capacity of 4.72 million kilowatts, almost 9000 circuit miles of transmission lines, and nearly 300 substations.[13]

How does the Bureau of Reclamation justify its projects in the face of prolonged agricultural surpluses? Reclamation officials point to our growing population. Sooner or later, they say, cropland may run short. They argue, too, that each year, perhaps a million acres of actual or potential farmland is transformed by urbanization and new highways. So, they say, it is better to have a surplus of farm land rather than a shortage.

Aside from the fact that there is an excess of millions of farm acres and a record government investment in surplus farm goods, the arguments of the reclamation experts fail to allow that land unreclaimed today could just as easily be reclaimed tomorrow. The storage of land costs nothing, whereas the production and storage of surplus crops cost some five billion dollars annually. Moreover, land is reclaimed without the sanction of market demand. Can the farsighted reclamation officials possibly see just how much land, when, where, and in what capacity will be required? In committing land to farm use, is

there not the likelihood that alternative land uses will be denied or made needlessly expensive—land for future industrial, commercial, residential, mining, and other nonfarm uses? Just why should land for farming be singled out? Further, the reclamation of once dry—i.e., submarginal—land into artificial, supramarginal land in the face of overcapacity means the automatic submergence of supramarginal land elsewhere. In short, irrigated land forces nonirrigated land out of production. Uneconomic land displaces economic land. This, in great measure, is the logic of reclamation.

The reclamation argument ignores the technological revolution in farming, which was discussed earlier in this chapter. In 1957, for example, a Minnesota farmer got a typical yield of 45 bushels of corn to an acre. With nitrogen fertilization, the commercial yield has risen as high as 100 bushels per acre, and 150 is envisioned.

In brief, our farm capacity is already swelling without reclamation, yet the Reclamation Bureau, in obedience to Parkinson's law on the inevitable tendency toward the expansion of bureaucracy, marches in lock step with its responsibility. The Bureau is fulsomely supported in its expansion proclivity by the National Reclamation Association. At the Association's meeting in November, 1958, Guy C. Jackson, Jr., its president, called for more federal reclamation. Mr. Jackson said that projected crop and tax yields "show how we can increase the wealth and revenues necessary to support our defense expenditures, outlays for adventures into space and all the burdensome costs of this and future decades."[14] But said B. T. Shaw,

chief of the U.S. Agricultural Research Service, in August, 1957:

> We are going to achieve far more increases in total output from the land we are now farming than we will by bringing in new land between now and 1975. So I wouldn't want to say we're in any dire position now insofar as land is concerned.[15]

5. *Price Supports*

The price system in free markets, whether agricultural or nonagricultural, is self-regulating; it constantly and strongly tends to hold supply and demand in equilibrium. The price system is highly responsive: changes in supply and demand are quickly adjusted in terms of quantities and prices; a decrease in demand or an increase in supply tends to produce a lower price; an increase in demand or a decrease in supply tends to produce a higher price. Prices are signals; they guide producers and distributors in adjusting their production and marketing to consumers choices. The market-price system, in short, quickly and sensitively allocates resources and distributes production; shortages and surpluses are fleeting occurrences. Professor Ludwig von Mises describes the market process as follows:

> The selective process of the market is actuated by the composite effort of all members of the market economy. Driven by the urge to remove his own uneasiness as much as possible, each individual is intent, on the one hand, upon attaining that position in which he can contribute most to the best satisfaction of everyone else and, on the

other hand, upon taking best advantage of the services offered by everyone else. This means that he tries to sell on the dearest market and to buy on the cheapest market. The resultant of these endeavors is not only the price structure but no less the social structure, the assignment of definite tasks to the various individuals. The market makes people rich or poor, determines who shall run the big plants and who shall scrub the floors, fixes how many people shall work in the copper mines and how many in the symphony orchestras. None of these decisions is made once and for all; they are revocable every day. The selective process never stops. It goes on adjusting the social apparatus of production to the changes in demand and supply. It reviews again and again its previous decisions and forces everybody to submit to a new examination of his case. There is no security and no such thing as a right to preserve any position acquired in the past. Nobody is exempt from the law of the market, the consumers' sovereignty.[16]

How did farm-price signals become crossed? In part, because of "low farm income" in the post World War I and Great Depression eras and the government's paternalistic urge to right this supposed wrong through the support of farm prices. World War I demand (Food Will Win the War) greatly increased farm capacity, thereby sharply decreasing postwar farm income when European farms swung back into production. Low postwar farm prices were a signal for marginal and submarginal farmers to quit farming. If they didn't quit, whatever the reason, their capital would be eroded and their incomes, as well as the incomes of all farmers, would be depressed. Farm policy in the Twenties, Thirties, Forties, and Fifties has aimed at, among other things, holding surplus

farmers on their marginal and submarginal farms. The market function was thereby obfuscated. Low prices were prevented from weeding out the inefficient, from righting supply with demand. Truly, as is spoken in the cotton country: "The cure for 10-cent cotton is 10-cent cotton."

In its efforts to help the small farmer, the U.S. government has greatly subsidized the productive two million farmers, including the big farmer, with unneeded subsidies. In 1953, the reported average of the five biggest crop loans by the federal government in California was $649,000; in Mississippi, the top five cotton loans averaged $480,000; in the state of Washington, the five largest wheat loans averaged $220,000; and in Iowa, the five largest corn loans averaged $99,000. In 1957, the Soil Bank paid the farm interests of the John W. Baughman family of Colorado and Kansas $1,114,152 for not raising wheat and corn, the Mississippi State Penitentiary $71,000 for taking one thousand acres out of production, and President Eisenhower more than $2,000 for not growing wheat and corn on his Gettysburg farm. (Mr. Eisenhower's Soil Bank receipts cover 1956 and 1957; in addition, he was also paid by the Soil Conservation Service for practicing conservation.)[17] Said Mr. Eisenhower in his January, 1954 farm message to Congress:

> The chief beneficiaries of our price support policies have been the two million larger, highly mechanized farming units which produce about 85 per cent of our agricultural output. The individual production of the remaining farms, numbering about 3,500,000 is so small that the farmer derives little benefit from price supports.

The President's statement is evidenced by the following table:[18]

1957 Fiscal Year Price Support and Stabilization
Calculated Costs
By size and class of farms

	Scale of farm product sales	Number of farms	Per Cent of farms	Per Cent of U.S. Farm Marketings	Calculated Portion of 1957 price support and stabilization costs—	
		(000)			Total (000,000)	Amount Per Farm
Large Scale Farms	Sales of $5,000 or more	1,290	27	79	$2,571	$1,993
Medium Scale Farms	Sales of $2,500-$4,999	811	17	12	391	482
Small Scale, Part-time and residential Farms	Farms with less than $2,500 sales	2,681	56	9	293	109
TOTAL		4,782	100	100	$3,255	

Source: U.S.D.A.

Price supports have generally been available only for "basic" commodities—a questionable adjective. Most farmers either do not grow any of the basic crops or include but one or two of them in a varied crop and livestock situation. It can be seen from the percentage breakdown of all the so-called basic crops in the 1954 production totals that basic crops account for less than one-fourth of the total cash receipts of agriculture. Here are the percentages: cotton, 8 per cent; wheat, 6.6 per cent; corn, 4.6 per cent; tobacco, 3.8 per cent; rice, 0.8 per

cent; peanuts, 0.4 per cent; total, 24.2 per cent. All price-supported commodities, basic and nonbasic, accounted for only 45 per cent of gross farm receipts in 1954.

Many farmers, then, receive no price supports whatever and yet prosper. Consider: Of the approximately 250 farm commodities commercially grown in the United States, only twelve have mandatory price supports at fixed minimum levels. Growers of the other 238 commodities do quite well (they would soon quit if they didn't). Of the twelve supported commodities, three—wheat, corn, and cotton—account for some 85 per cent of the quantity held in the government inventory or are on lien to the government, yet these three crops contribute but about 20 per cent to total cash farm income. In short, the free market is in substantial operation for many farm commodities and in complete operation for many more, without surpluses, without political agitation. The Secretary of Agriculture has discretionary power, however, to provide government price supports for *all* farm commodities in accordance with guidelines fixed by law. The contrast between the free market, quiet and effective, and the controlled market, noisy and forever malfunctioning, is obvious, yet the effects of the controlled market don't stop with the controlled farmer. The corn grower, for example, passes on the cost of his supports to the hog raiser; the hog raiser passes on the costs to the meat packer; the packer passes the costs to the man at the end of the line, the pork consumer. Price supports and such indirect price supports as marketing agreements constitute conspiracies against consumers—and ultimately against the farmers themselves.

Nor have price supports been improved with the introduction of flexible supports, the idea of giving the U.S.D.A. a range, at this writing, of 75 to 90 per cent of parity. The range merely substitutes bureaucratic judgment for market action. Bureaucratic judgment is arbitrary and political; market action is impersonal and self-adjusting.

Frequently, to lessen bureaucratic judgment, Congress has tied flexible supports to an escalator provision. In these cases, the Secretary of Agriculture is obligated to raise the support level of any affected commodity as soon as the government's surplus holdings of that commodity falls to a normal-supply level, as laboredly defined in the law:[19]

Section 301, Title III of the Agricultural Adjustment Act of 1938, as amended, provides definitions for normal supply as follows:

(A) "Normal supply" in the case of corn, rice, wheat, and peanuts for any marketing year shall be (i) the estimated domestic consumption of the commodity for the marketing year ending immediately prior to the marketing year for which normal supply is being determined, plus (ii) the estimated exports of the commodity for the marketing year for which normal supply is being determined, plus (iii) an allowance for carry-over. The allowance for carry-over shall be the following percentage of the sum of the consumption and exports used in computing normal supply: 15 per centum in the case of corn; 10 per centum in the case of rice; 20 per centum in the case of wheat; and 15 per centum in the case of peanuts. In determining normal supply the Secretary shall make such adjustments for current trends in consumption and for unusual conditions as he may deem necessary.

(Note.—Sec. 2 (a) (2) of Public Law 272, 81st Cong., approved Aug. 29, 1949 (63 Stat. 676), deleted "cotton" from the foregoing definition and added a new subparagraph (C) containing the definitions of "normal supply" of cotton. The word "cotton" has not been omitted in the first sentence of sec. 1301 (b) (10) (A) of title 7, U.S. Code, 1952 ed., Supplement I.)

(B) "Normal supply" in the case of tobacco shall be a normal year's domestic consumption and exports, plus 175 per centum of a normal year's domestic consumption and 65 per centum of a normal year's exports as an allowance for a normal carry-over.

(C) The "normal supply" of cotton for any marketing year shall be the estimated domestic consumption of cotton for the marketing year for which such normal supply is being determined, plus the estimated exports of cotton for such marketing year, plus 30 per centum of the sum of such consumption and exports as an allowance for carry-over.

Even "lower" price supports sometimes prompt farmers to plant more corn.

The 1959 government corn support is $1.12 a bushel, which is 24¢ lower than the maximum props in 1958. But only the relatively few farmers who stayed within acreage limits got that much. The vast majority ignored planting quotas in 1958 and qualified for only $1.06 a bushel. So the 1959 corn supports now will mean a higher payment for them. With acreage controls now ended on the 1959 crop, many farmers plan to expand corn acreage to take advantage of the more attractive support level.

Meanwhile, supports on oats, grain sorghums, cotton and soybeans have been cut to the lowest levels in about

15 years. This makes corn raising even more alluring, because the Federal Government will now spend two to three times as much in support payments for an acre's output of corn as it would for oats. Seed corn sales in 1959 are up sharply, leading some observers to predict at least a 10% boost in corn planting and possibly a 1959 corn crop that will be the greatest on record.

Ironically, then, lower maximum corn supports, which were designed to help shrink the Government's giant corn surplus, will now tend to greatly expand it.

Surplus disposal is required by Public Law 480, but when government surpluses have been disposed of and a "normal" supply is reached, support levels are automatically increased. Then new surpluses, it follows, will appear, and the whole process is repeated. The Secretary of Agriculture is thus cast in the role of Hercules trying to kill the nine-headed Hydra: as soon as Hercules had cut off one head, two new ones appeared.

6. *Parity*

Price supports are based on a formula called "parity," meaning equality and hence, supposedly, fairness for agriculture. The equality idea harks all the way back to the Peek-Johnson formula and the McNary-Haugen bills of the 1920's. Equality, as effected in the parity formula, has greatly insulated agriculture from corrective free-market forces.

In the language of the Agricultural Adjustment Act of 1933, parity prices are "prices to farmers at a level that will give agricultural commodities a purchasing power

with respect to the articles that farmers buy equivalent to the purchasing power of agricultural commodities in the base period." The base period was the supposed Golden Age of agriculture, defined in the law as being from August, 1909, to July, 1914, for all commodities, with the exception of tobacco, which utilized the post World War I period, 1919-1929. Thus to find parity for a particular commodity, U.S.D.A. statisticians calculated the average price received by farmers for that commodity during the period from August, 1909, through July, 1914, and then multiplied it by the current index of prices paid by farmers (1909-14 = 100). To figure the index of prices paid, U.S.D.A. statisticians weigh and average some 389 farm-purchased goods and services. Congress has rarely called for 100 per cent or more of parity, but the parity formula itself has undergone several transformations. The most important of these has been the "modernized parity" formula of the Agricultural Act of 1948. The 1910-1914 base was retained for the index of prices farmers pay, but parity prices of individual commodities were to reflect market relationships among farm commodities in the immediately preceding ten years. However, no single method of figuring parity has been adopted for all commodities; politics, simple in motivation, is rarely simple in application.

Legislative proclivity for parity with industry, for elaborate formulas and Golden Ages, is an anachronism, a modern version of old-time agrarianism, an attempt to turn back the clock. Parity is a meaningless yardstick, as logical as comparing apples to lemons or architects to bricklayers. It ignores farm incomes and concentrates

on farm prices. It ignores heterogeneity among farmers. What farmers buy, for example, would vary widely for, say, the giant California mechanized cotton farmer as contrasted with the cotton sharecropper with "an acre and a mule" in Mississippi. Parity ignores productivity and technology. Automobile tires cost about $50 each in 1914, and by today's standards, they were very inferior tires, yet if tire manufacturers had access to an analogous parity support price based on the price of farm commodities, an automobile tire today would cost about $130. Under the same reasoning, a forty-watt bulb would cost a dollar. Parity, in brief, ignores reality.

The flight from reality is seen, for example, in the wheat fiasco. Parity implies the right to a guaranteed price to anyone who raises wheat no matter where in the U.S. The result has been that the wheat belt, once largely confined to the Plain States, has spread all over America. Complained Secretary Benson in Dallas on April 7, 1959: "Wheat acreage has increased in areas of high cost, while acres have been cut back in areas where production is most efficient. This doesn't make sense."

7. *Acreage Controls and Soil Banks*

To control surpluses, the government has played cat-and-mouse with the American farmer for a generation, limiting his acreage or the amount of major crops brought to market. The farmer has been the shrewder of the two. Acreage and marketing controls have proved to be inept and ineffectual. Restriction of acreage for planting has generally meant more intensive cultivation of

the permitted acreage. So with more fertilizer, better seed, fuller care, and closer planting, the farmer has been able to overcome the goal of acreage restriction: a cutback in crop yields. Controls have simply and ineptly channeled excess production into government inventories.

What is more, the farmer has rarely left his released acreage idle but has constantly substituted unrestricted crops for restricted, thus causing surpluses to appear in other crops. Middle western corn growers could switch to, say, soybeans, Texas cotton farmers to grain sorghums, Dakota wheat raisers to flax and oats, and to complete the cycle, California cotton men could grow the corn denied to the Middle West. In Georgia, unrestricted broiler chickens have surpassed restricted cotton in providing cash income for farmers. Acreage reduction might possibly work if the incentive of high price supports did not exist, but the two policies are contradictory and hence self-defeating. Artificially high prices stimulate production and discourage consumption; surpluses become inevitable. The government has been following a policy of redundancy and inconsistency, inadverently substituting new surpluses for old.

The switching problem was the chief reason for the sharp rise in unrestricted crops between 1953 and 1957. First, note in the following tables that the 1957 output of corn increased, although acreage was restricted and, although the output of wheat and cotton fell, the fall in output is much lower than the fall in acreage. The second table shows the consequent gain in unrestricted crops.

COMPARISON OF OUTPUT OF MAJOR CROPS UNDER ACREAGE RESTRICTIONS
1953 and 1957
(millions)

		1953	*1957 e*	*Actual Change*	*Percentage Change*
Corn	acres	80	72	— 8	—10
	bushels	3210	3305	+ 95	+ 3
Wheat	acres	68	43	— 25	—37
	bushels	1173	927	—250	—21
Cotton	acres	24	14	— 10	—42
	bales	16.4	12.4	— 4	—25

e—estimated.

COMPARISON OF SELECTED UNRESTRICTED CROPS
1953 and 1957
(millions)

		1953	*1957 e*	*Actual Change*	*Percentage Change*
Barley	acres	9	15	+ 6	+ 67
	bushels	247	431	+184	+ 74
Soybeans	acres	15	22	+ 7	+ 47
	bushels	269	459	+190	+ 71
Grain	acres	6	18	+ 12	+200
Sorghum	bushels	116	481	+365	+315

e—estimated.
Source: Committee for Economic Development, December, 1957.

Switching into feed grains has, in turn, meant increased, and hence price-depressing, livestock production, which helped to bring on the low prices for hogs

and feed cattle in 1955 and 1956. Low hog and beef prices have been a political issue in affected farm states.

The switching dilemma was one of the reasons for the Republican creation of the Soil Bank in 1956. In official language, its objective was to be "a major national effort to reduce the flow of surplus commodities into government and non-government storage."[20] To prevent switching, the Soil Bank required that the co-operating farmer let his banked field lie fallow or go to grass and thereby "conserve" his soil. However, the 1957 crop—the first full year under the Soil Bank—equaled the record crops of 1948 and 1956 and on the smallest acreage in forty years. And the 1958 crop topped all others. Cotton and wheat production had indeed been decreased by the Soil Bank restrictions in 1957, but in 1958, wheat production broke all records. Farm production since 1956 has, in general, risen. One reason—per-acre yields averaged 127 per cent higher in 1957 than the 1947-1949 average. The Soil Bank, as measured by its stated objective: the elimination of "excessive supplies of agricultural commodities," has failed.

The weakness of the Soil Bank, aside from its impotence to prevent farmers from offsetting their banked acreage through intensive cultivation of the permissible acreage, is that it idles acres and not farmers. Soil Bank farmers idle their poorest acreage, not themselves. Plainly, if competitive prices were restored, many incompetent and inefficient marginal and submarginal farmers—and many poor marginal and submarginal farms, poor because of poor soil, climate, or location—would shift to nonagricultural pursuits and America would be spared

a costly misuse of human and natural resources. The free market, in short, provides its own soil bank, without government payments. Under the free market, greater demand for food and fiber would signal higher prices. Higher prices would quickly call forth into production unfarmed land from Nature's free "soil bank." This was true in World War I and World War II and every other market-induced expansion of production. Lower prices, on the other hand, signal oversupply or underdemand, and cause excess farm land to return to Nature's free soil bank.

Under the "official" Soil Bank, the late Louis Bromfield of Malabar Farm fame clearly saw that the government's Soil Bank would lock in unneeded marginal and submarginal farms in production. He expressed the situation as follows:

> . . . the whole parity, price support, Soil Bank dodges merely tend to maintain in operation inefficient, unintelligent speculators and particularly "suitcase" wheat farmers, and marginal operators who would not be tolerated in any other field of American economic activity. In open competition they would be squeezed out.[21]

8. *Encouraging Synthetic and Foreign Competition*

In his *Farmers at the Crossroads,* Secretary Benson writes:

> [Price manipulation] stimulated excess production abroad as well as at home. It encouraged substitute products to rob our markets both in this country and in other lands. It helped destroy our export outlets, as expanded production abroad robbed us of traditional markets. It even attracted foreign production to our shores to compete with domestic output.[22]

Reference has already been made in this chapter to the protective umbrella that price supports have held over synthetics which compete with farm products. The umbrella covers foreign farmers, too. In 1949-1950, for example, high American support prices for potatoes enabled Canadian potato growers to add to the glut in American markets. In fact, Canadian potato growers were able to undersell American potato farmers as far south as New Orleans and Miami.

American price supports work like a magnet: they attract foreign farm goods to our shore. Because of this, Secretary Benson has obtained embargoes or quota restrictions on dozens of foreign farm commodities. Under Section 22 of the Agricultural Adjustment Act of 1938, he is, in fact, obligated to do this. Section 22 provides that except under emergency conditions, the U.S.D.A. must investigate any situation where farm imports "are being or are practically certain to be imported" in such quantities as to jeopardize domestic support operations. When the U.S.D.A. detects foreign farm competition invading domestic markets, it recommends action to the Tariff Commission. The Tariff Commission conducts its own investigation before advising the President to apply import restrictions.

Import restrictions, it follows, cannot save export markets. In 1955, for example, more than 60 per cent of a total of 317,000 burley-tobacco farms were restricted to five-tenths of an acre. The law requires, says Secretary Benson, the "rationing of poverty."[23] High-cost, support-priced tobacco can hardly compete well in European tobacco markets, once held securely by American producers and now increasingly won by Southern Rhodesian

and other foreign tobacco growers. U.S. exports of unmanufactured tobacco for the year ending June 30, 1958, were down—7 per cent below those of the previous year and 20 per cent under those for 1955-1956. Section 22 of the Agricultural Adjustment Act of 1938 is useless as far as the protection of export markets is concerned. Southern Rhodesia now boasts the world's largest flue-cured tobacco center. One Southern Rhodesian government official has commented:

> In a free market, we might have had trouble competing against your highly mechanized farmers, and many [Rhodesian] tobacco plantations would never have been started.[24]

Cotton exports tell a similar story. Twenty-seven years ago, American cotton shipped abroad totaled seven million bales; in 1955, U.S. cotton exports reached but two million bales. Twenty-seven years ago, foreign cotton production was eleven million bales; in 1955, foreign cotton reached twenty-five million bales. In early 1958, the *Houston Chronicle,* comparing Texas cotton production with that of neighboring Mexico, supposedly a "backward" country, commented:

> On the Texas side farmers are chafing at Government restrictions; on the Mexican side, where there are no controls, an avalanche of agricultural wealth is pouring in.[25]

Mexico, selling mostly to world markets, has increased its cotton production almost tenfold since 1938. On this side of the Rio Grande, Texas cotton production was in 1958 less than half of capacity because of the Soil Bank and crop controls. High-priced American cotton, in turn,

has hurt the American textile industry. In 1947, for example, 1,468,000,000 square yards of U.S. cotton cloth was exported; in 1953, such exports fell to 800,000,000 square yards. In 1958, the New England Governors' Textile Committee, worried about cheap cotton-goods imports, recommended abandonment of the two-price system (a high price for Americans, a low price for foreigners) and termination of the Soil Bank reserve plan. The Committee's report said that for years the government's farm policy had forced New England to pay more than foreigners for American cotton. The report noted that since 1957, acreage had been cut 42 per cent and output 25 per cent. The report said:

> This inevitably has raised the price of finished goods, with a resultant reduction of purchases. With the unsatisfactory crop of 1957 and the vast subsidized export program of the last two years, American manufacturers are quite properly aroused over the shortage of good cotton at reasonable prices for 1958. A considerably larger crop is required in 1958-59 if prices are to stabilize.[26]

Today, 1959, about seven out of every nine government cotton allotments are held at the uneconomical level of less than fifteen acres. In 1957, Jack A. Harris of Gila Bend, Arizona, a big cotton producer, attracted national attention by paying the government a record "penalty" of $965,595.84 to market his 1957 cotton crop. Said Mr. Harris:

> A lot of people have tried to make it look like I was doing something against the law, but before I ever planted this cotton at Gila Bend, Arizona, I checked with the Department of Agriculture in Washington.

I was told that I could plant all the cotton I wanted to—as long as I paid a penalty of 18½ cents a pound on my excess. . . .

I sure think it's ridiculous. If you can pay this kind of penalty and still make money I feel we don't need planning controls and price supports.

My return is not going to be great at all but if you can pay this much and break even, we don't need these high supports.

The current price of cotton is 36 to 37 cents a pound. It costs me about 15 cents a pound to produce. Even after paying the 18½ cents penalty there's something left.[27]

9. *International Sugar and Wheat*

International markets have been undermined by farm policy just as have domestic markets. In the Preamble of the ill-fated first International Wheat Agreement (1933), there was a provision to the effect that the raising of the world wheat price to a "remunerative" level was in the interest of everybody. (Everybody, that is, except the consumers.) The Agreement was essentially a price-fixing scheme. Despite elaborate policing arrangements and declarations of good intentions by the nine wheat-exporting and thirteen wheat-importing countries under the Agreement, infringements were many. Wheat prices fell instead of rising. The Agreement was allowed to lapse at its expiration.

The futility of price-fixing is a lesson that has seldom been learned for long. In 1949, the United States and other wheat-exporting and wheat-importing countries joined in a new International Wheat Agreement, which fixed the price of wheat at a maximum of $1.80 and a

minimum of $1.50 per bushel. Partly because of the Korean War demand, however, free world-market prices climbed well above the I.W.A. maximum. Thus between 1949 and 1952, the United States exported 667,000,000 bushels of wheat in accordance with its I.W.A. obligation at a heavy subsidy (between fifty-six and sixty-seven cents a bushel) to foreign consumers at the fixed sale price of $1.80 a bushel. Several hundred millions of dollars, in other words, were drained from the U.S. Treasury for the benefit of bread consumers abroad. In 1953, when wheat broke sharply in world markets, the combined action of the United States and Canada held the price above the minimum of $1.50, but neither country could require the importing countries to take up their quotas, and huge surpluses piled up in both countries. Argentina and the U.S.S.R., both outside the Agreement, had little trouble disposing of their wheat exports at prices below the I.W.A. minimum. The I.W.A. minimum price thereby serves as an incentive to wheat-importing countries to import from non-I.W.A. countries or practice wheat autarchy and grow their own. Thus American wheat consumers and taxpayers have been penalized by their government's action.

American consumers also pay more because of their government's participation in international sugar agreements. In 1934, the Jones-Costigan Act was passed to protect American sugar producers, presumably constituting a defense industry, against cheap foreign imports, mostly from Cuba. When World War II came, price ceilings were quickly clamped on sugar, thereby restricting expansion of domestic sugar production to meet the very

emergency for which domestic sugar growers had been protected. Today, American consumers continue to pay about a 50 per cent price penalty to help maintain an inefficient, high-cost domestic sugar industry, an elaborate production- and marketing-quota allocating system in the U.S.D.A., and the favored few foreign sugar-growing countries which hold U.S. import quotas. At the same time, domestic and foreign sugar lobbies press Congress and the Department of Agriculture for further favors.

10. *The Cost of Farm Intervention*

Dividing the fiscal 1960 federal farm appropriation by the number of the nation's farms reveals an annual outlay by the nation's taxpayers of approximately $1,300 per farm. The fiscal 1959 figure, based on government farm spending (all departments) of more than $7,000,000,000, amounts to roughly half of the U.S.D.A.-estimated farmers' realized net income, or some $1,500 per farm. The cost of the operations of the U.S. Department of Agriculture from 1954 to the present is seen in the table below.

EXPENDITURES FOR AGRICULTURE—FISCAL 1954 TO 1959
(In Millions)

1954 actual	$2,557
1955 actual	4,411
1956 actual	4,913
1957 actual	4,582
1958 actual	4,475
1959 est.	6,779
Change 1954-1959	+4,222

Source: The Tax Foundation, November, 1958.

Similarly, dividing the annual appropriation by the number of families in the United States (simplified: five billion dollars by fifty million families), a cost of $100 per family per year is revealed. The cost does not stop here.

The cost of farm intervention by the government is also meted out in food and fiber prices that are higher than the free market would have brought about. Just as tariffs force American citizens to pay more for the goods they want or do without, so, too, does American farm policy force consumers to pay higher prices, as well as higher taxes, but because food is a necessity, consumers obviously cannot choose to do without. If one were to assume that each dollar of the U.S.D.A.'s annual appropriation was matched by an additional dollar in higher food and fiber costs to American consumers—agreed, this is a very rough estimate—then the total annual cost of farm policy per American family would not be one hundred dollars, but two hundred dollars.

Yet there are so many unknowns and variables in intervention that an approximation of the true cost is impossible. During the 1930's and 1950's, for example, long droughts, accompanied by severe dust storms, occurred. The caprice of the weather is beyond the control of farm policy, although during 1954, 1955, and 1956, the Agriculture Department spent some $550,000,000 for drought relief and an additional $184,000,000 to bolster affected livestock prices. What farm policy has done to increase the vulnerability of American farms to drought damage and dust storms has been homesteading, acreage restrictions, and price supports. Homesteading encour-

aged family farms on what should have been grazing land. Acreage restrictions encouraged closer planting and other forms of intensive cultivation, which meant a greater dependency on a fairly full rain cycle. Price supports encouraged wheat and other grain growing on millions of acres of what was essentially grazing land. As a result, prairie sods were broken, and with the first long spell of dryness, heavy high winds carried dry-as-dust soil skyward—a dust storm. Finally, the droughts revealed the "need" for costly federal reclamation.

The cost to the nation and to the government of farm intervention is further heightened by the tax avoidance of farm co-operatives and by what may to some degree be an unnecessary and uneconomical channeling of business through this form of organization. More than eleven thousand co-operatives gross an estimated fifteen billion dollars annually. They grow, process, pack, manufacture, wholesale, and retail products. For the most part, these are farm co-ops, but there are a great number of nonfarm co-ops. Congress has favored co-ops through the whole or partial exemption of federal income taxes. The Corporate Tax Statute of 1909, for example, which levied a 1 per cent tax on the income of corporations, exempted co-operatives, which "operated exclusively for the mutual benefit of their members." Naturally, many businesses which would ordinarily organize as corporations organize, instead, as co-operatives in order to avoid paying income taxes. The growth trend of co-ops is, understandably, markedly higher than that of corporations.

The farm cost includes too many farmers held unec-

onomically to the land, with a resulting waste of land, labor, and other national resources; the uneconomic acreage allotments (e.g., one-half acre for burley tobacco), stultifying mass-production techniques on the soil; the destruction of agricultural markets at home and abroad; the indirect aid to synthetic and foreign producers through artificially high farm prices; the loss in interest costs incurred through the lending of cheap credit to farmers (e.g., 2 per cent on R.E.A. loan money, which cost the government some 4 per cent to obtain); the damage to foreign relations caused by surplus dumping abroad; the ancillary costs of supporting the U.S.D.A.'s activities (e.g., the Post Office's carrying the Department's mail without charge, the General Services Administration's doing the U.S.D.A.'s housekeeping); and, finally, in obedience to Parkinson's law and the law of progressive intervention, the recurrent "emergency" calls for more massive intervention. With all this, the U.S.D.A. makes the following statement:

> The many services of the U.S. Department of Agriculture help farmers, processors, distributors, and consumers of farm products alike to maintain a steady flow of food and fiber from farm to home in the best possible condition and *at the lowest cost per unit.*[28]

11. *Surplus Farmers*

As long ago as 1931, some economists saw the farm problem as being one of too many farmers. In 1931, Pro-

fessor Bernhard Ostrolenk treated the farm problem in his book *The Surplus Farmer,* Professor Ostrolenk wrote:

> It is not improbable that the exchange between the farmer and urban industries is now on a basis disadvantageous to the farmer, but it is doubtful whether the remedy lies in legislation, in preferential methods of organization, in preferential methods of securing credits or freight rates, or preferential taxation. An increasing group of economists believe that fundamentally an adjusted production will build up a wealthier farm population. This does not mean lesser total production, but lesser sub-marginal production. It does not involve the stopping of progress, or the lesser use of machinery, land, or labor. It may, in fact, involve the greater use of all three. *It does involve the turning back of unprofitable land and the ridding of agriculture of incompetent producers by permitting free play to the weeding processes of price.*[29]

The weeding-out processes of free and responsive markets have been thwarted by the massive farm intervention begun in the late 1920's and accelerated in the 1930's. In short, the plight of the marginal and submarginal operator, threatened by foreclosure of his mortgage, was recognized by the farm bloc, and intervention proceeded, in snowball fashion, to become larger and larger.

Meanwhile (1954 figures), 2,200,000, or 44 per cent, of American farmers have produced 91 per cent of U.S. farm production. For the remaining 56 per cent of the farmers producing but 9 per cent of total farm production, meager financial returns have been their lot. How meager can be seen in the following table.

DISTRIBUTION OF FARM FAMILIES
BY TOTAL FARM MONEY INCOME—1954

Sales from commercial farms	*No. of farms*	*Per cent of farms*	*Per cent of sales*
$25,000 and over	134,000	2.8	31.3
$10,000 to $24,999	448,945	9.4	26.9
$5,000 to $9,999	706,929	14.8	20.5
$2,500 to $4,999	811,965	17.0	12.1
Total over $2,500	2,101,839	44.0	90.8
$1,200 to $2,499	763,348	16.0	5.7
Less than $1,200	462,427	9.7	1.4
Total below $2,500	1,225,775	25.7	7.1
Part-time, residential, and other	1,455,404	30.4	2.0

Source: U.S.D.A. Release 3428-58-4.

As low as most farm money incomes are, they must be understood as usually being supplemented by non-cash income. Much food and other goods, for example, are produced and consumed on the farm. In many instances, rent is not paid, commuting costs do not exist, clothing outlays are less, and so on. The farmer's dollar "goes farther." Then, too, about 40 per cent of the net income of farm families is from non-farm sources. More than a third of the farm operators work off their farms one hundred days or more a year.[30]

Still, were various subsidies and the hope of still more subsidies cut off, the surplus farmers would soon vanish. The historical exodus from rural areas would greatly accelerate, and free farming would drive down food and fiber costs and recapture markets from synthetic and foreign competition. National real wages would rise because of the lower prices.

The farm exodus can be seen in retrospect. At the time of the first U.S. census in 1790, we were truly a nation of farmers: only 5.1 per cent of the people lived in communities of twenty-five hundred or more. This nucleus of urbanites grew to 15.3 per cent by 1850 and 39.7 per cent by 1900. The swelling of urban population is, of course, matched by a shrinkage of farm population, as the following table reveals:

TOTAL POPULATION AND FARM POPULATION OF THE UNITED STATES 1910-1956

Year	*Total Population**	*Total Farm Population*	*Farm population as a per cent of the total population*
1910	91,855,000	32,077,000	34.9
1920	106,089,000	31,974,000	30.1
1930	122,775,000	30,529,000	24.9
1940	131,820,000	30,547,000	23.2
1945	139,583,000	25,295,000	18.1
1946	141,039,000	26,483,000	18.8
1947	143,480,000	27,124,000	18.9
1948	146,051,000	25,903,000	17.7
1949	148,595,000	25,954,000	17.5
1950	151,132,000	25,058,000	16.6
1951	153,691,000	24,160,000	15.7
1952	156,420,000	24,283,000	15.5
1953	159,017,000	22,679,000	14.3
1954	161,763,000	21,890,000	13.5
1955	164,595,000	22,158,000	13.5
1956	167,440,000	22,257,000	13.3

* Including armed forces overseas, 1940-1955.
Source: Population Reference Bureau, Inc.

Today's surplus farmers, generated by farm policy, run counter to the Reverend Thomas Malthus' "law" of a perpetual scarcity of food with a surplus of population ever pressing on the available food. Declared the gloomy parson in his *Essay on Population* (1799):

> It must ever be true that the surplus produce of the cultivators, taken in its most enlarged sense, measures and limits the growth of that part of the society which is not employed on the land. Throughout the whole world, the number of manufacturers, of merchants, of proprietors, and of persons engaged in the civil and military professions, must be exactly proportioned to this surplus produce and cannot in the nature of things increase beyond it.[31]

Malthus stated his principle before the capitalistic and technological revolutions gave men such a long lead on subsistence and before American "farm policy" upset the balance between farm production and farm consumption. Now the surplus population is, of all places, on the farms.

While this situation is to be found in the United States, it is more common elsewhere, in most of the world, if for a different reason. Roughly two-thirds of the world exists in a so-called underdeveloped economic condition. Although most of the people in these parts are engaged in farming, famine threatens whenever a drought or flood ravages the always inadequate croplands. Farming in underdeveloped countries is pitifully backward; productivity is low. Professor Karl Brandt of the Stanford Food Research Institute describes the rural overpopulation around the globe and its solution as follows:

The chief expansion of the world economy must occur in the spheres of industry, commerce, and professional services. Its generating impulses originate in the monetary and financial spheres, which in turn respond alternatingly to the process of growth in the former ones. Due to the relatively limited expandibility of the consumption of food and the great technological reserves in all fields of agricultural production, *the proportion of the people engaged in agriculture must necessarily shrink.* Only in that way can rural poverty be overcome.[32]

12. *Farm Intervention Abroad*

The breadth of foreign farm intervention seems to be as great as the American variety. In *Agricultural Policy of Foreign Governments* (Washington, U.S. Department of Agriculture, September, 1957), price supports are shown to be widespread, even in such a capitalistic country as Switzerland.

In the United Kingdom and a few other countries, emphasis is on the direct subsidization of farm incomes (the Brannan Plan idea). The British subsidy has its price in terms of civil liberties. Under authority granted by the Agriculture Act of 1947, Britain's Minister of Agriculture has dispossessed farmers by the thousands (4,704 between 1947 and 1949) of their homes on the grounds of bad husbandry, nonperformance, and other charges. ("The poorest man in his cottage," said the elder Pitt in the 18th century, "may bid defiance to all the force of the Crown.")

Canada, Australia, New Zealand, Argentina, Brazil, the Netherlands, and Sweden have farm marketing

boards which restrict the volume of farm deliveries or control agricultural trade completely. In Egypt, not less than one-third of the cultivated land may be planted to wheat and not more than one-third to cotton. Cuba restricts the cultivation of sugar cane.

Brazil's interventionist troubles with coffee are legion: fantastic government investments in coffee beans in vain attempts to prop the world coffee price; the burning of billions of pounds of surplus coffee stocks between 1931 and 1938; the toppling of frustrated Brazilian governments which compound their frustration through currency inflation; the inevitable and inadvertent indirect subsidization of other competing coffee-producing countries in South and Central America and in Asia and Africa.

In the Soviet Union, with all its means of coercion, and with half its population employed in farming, its farm-production totals are not infrequently below those of Tsarist days. For example, between 1917, when the Communists came to power, and 1953, the Soviet beef and dairy cattle population declined from 58,000,000 head to 56,000,000 head, despite a 40 per cent increase in the human population. Before the Revolution, Russia was a wheat exporter; in 1956, she imported wheat from Canada. The average Russian worker, at last count, gets only 16 eggs a year, compared to 128 for the Italian worker and 360 for the American worker. The Communists discovered in 1957 that the most productive acreage in the Soviet Union consisted of the private plots allotted each peasant family for the growing of its own

vegetables, chickens, and so forth. Communist Poland, in a decree of October, 1956, sharply cut back on farm collectivization. Farm production in 1957 rose 4 per cent, and results in 1958 were even better. In 1958, the Polish government sold between 600,000 and 700,000 more hectares of state farm land to private peasant farmers.

13. *The Rationale of Intervention*

On what logic, if any, does farm intervention rest? The rationale is deceptively simple. First, there is the stabilization or anti-depression argument. Charles Brannan put it succinctly when he was Secretary of Agriculture. In support of his own plan, a variation of intervention, he said to Congress (April 7, 1949):

> It can help prevent depressions: Most depressions have been farm-led and farm-fed. Farm prices traditionally go down before, faster, and farther than other prices. . . . Farm people want to buy industrial goods, but when their prices go down in relation to the prices they have to pay, they have to cut their buying. . . . A program that helps to stabilize farm prices and incomes will help to stabilize markets for factory goods and will keep thousands and thousands on main streets busy.

The argument is weak on several counts. The call for supports to maintain high farm prices and income in order to continue high farm purchasing power ignores the origin of the supports: higher taxes and higher prices. To enable the government to prop up farm prices,

the city consumer has to dig down in his pocket to pay the tax collector. The tax money which could have been spent for the taxpayer's consumption, thereby supporting industry, is siphoned off by the government. Moreover, the city consumer has to pay higher food prices. Again, the added support increment in food prices reduces money available for more city buying from industry. What industry presumably gains in farm sales, it loses in city sales. What is more, the misallocation of resources and the waste of capital causes over-all national production to fall.

The city-farm interdependency is exaggerated. High national purchasing power comes not from redistribution of existing income but from high production resulting, in turn, from high capital formation and an optimum (meaning a free market) allocation of national resources. F. A. Harper brings out this relationship in his essay "Agriculture's Sacred Seventh." He writes:

> For the nation as a whole, production is the key to national prosperity, the only source of economic betterment. That alone is the substance of which prosperity is composed. No amount of added purchasing power can empower anybody to buy something that has not been produced. Whatever is produced is available to consume, no more and no less by whatever magic formula. As with a cake of any given size, there is no way to cut it so that the sum of the parts will exceed the size of the whole. Nor can an artificial increase in the size (in dollars) of agriculture perform any like miracle on the welfare of the nation as a whole.[33]

Another prevalent argument put forward to justify farm intervention is that farmers are merely the recipi-

ents of government protection that is being extended in other forms to other classes in the nation. Secretary Brannan held that his plan, for example, was merely "the farmer's equivalent of the laboring man's minimum wage, social security, and collective bargaining agreements." An old story—intervention breeds more intervention. Having intervened for one favored group in the country, the government tries to "catch up" but, of course, never does.

So, too, is industry's tariff protection another frequently cited reason for agriculture's protection. While it is true that the farmer has had to sell abroad at low world prices and buy domestically at protected prices, one act of wasteful intervention does not justify another. Farmer, worker, industrialist, or Indian chief, all of them consumers, must pay for the wastes of intervention, no matter what form it takes or whom it supposedly protects. Above all, it has been abundantly demonstrated that the efficient farmer is not protected by farm policy but is hurt by it in the long run.

Again, the farm interventionist charges that nowhere in the economy is competition as severe as it is in agriculture. In a free-market system, farm prices, under pressure of supply and demand, find their own levels, and farmers have to abide by them, no matter how low they might be. (Many a modern economist is fond of calling such competition "pure" and other, generally non-farm, competition "imperfect" or "monopolistic," a questionable choice of words.) The businessman, we are told, "administers" his price. The workingman, through his

union, "administers" his. "Administered" prices therefore supposedly represent proof of lessened competition. The question is, however, do administered prices result in administered or certain income? Logic and experience point to a negative answer. True, the businessman may set his price, but if the customer does not like the price, the customer may take his business elsewhere. Similarly, the organized workingman may demand a high price for his services, but he has to be on, and stay on, a payroll to get it. In late 1957 and early 1958, for example, many unionized workers, with high hourly wage rates in union wage agreements with their employers, were out of work. Competition in industry and commerce is just as severe as it is in agriculture.

The farmer is usually sure of disposing of all of his production, however low the price. Moreover, there is a trend toward contract farming, a system by which farm production is geared to commodity processing and marketing through contracts between individual farmers and various middlemen. The trend is growing in broilers, eggs, feeders, vegetables, and sugar-beet and specialty-crop production. This, then, provides an opportunity to the farmer to administer his price, though it hardly proves that he will be the richer for it.

Secretary Brannan spelled out other reasons for farm intervention in his statement of April 7, 1949:

> A program that helps maintain farm incomes helps to maintain agricultural resources. . . . Price supports can aid conservation in at least two ways: (a) by bringing additional stability into the farm business, so that farm peo-

ple can enjoy a good standard of living without mining their resources and (b) by directly encouraging types of farming which naturally conserve resources. . . . An effective farm program is essential to our national security. . . . A price-support program which safeguards our rural economic strength can help stabilize the rural community in our free-enterprise system. . . . It is an ever-present answer to communism.

Hence farm intervention supposedly aids conservation (waste is conservation?), strengthens national security (by misallocating resources?), helps free enterprise (control is freedom?), and somehow *answers Communism*. Such is the logic of politics.

Similarly, the platforms of both parties and farm-bloc politicians call for aid for the "small farmer," the "family farmer," the "dirt farmer." On April 7, 1958, for example, Secretary Benson said in Preston, Idaho, before a farm audience: "The family farm has been, is now, and always will be the backbone of American agriculture." But will the "family farm" always be economically feasible? Only a free market can tell. Certainly the forced preservation of the small auto-maker, the "family" tinkerer in the back-yard shack, would have prevented today's big-business, mass-production American auto industry and cheap transportation for Americans. Certainly the efficient, well-managed family farm, which, thanks to agricultural science and automation, can continue to expand its acreage, should not be forced to carry the inefficient, badly-managed family farm.

Actually, the case for farm intervention rests upon the much larger base of general interventionism, or, euphe-

mistically, big government. Professor von Mises distinguishes interventionism from socialism as follows:

> The system of interventionism or of the hampered market economy differs from the German pattern of socialism by the very fact that it is still a market economy. The authority interferes with the operation of the market economy, but does not want to eliminate the market altogether. It wants production and consumption to develop along lines different from those prescribed by an unhampered market, and it wants to achieve its aim by injecting into the working of the market orders, commands, and prohibitions for whose enforcement the police power and its apparatus of violent compulsion and coercion stand ready. But these are *isolated* acts of intervention. It is not the aim of the government to combine them into an integrated system which determines all prices, wages and interest rates and thus places full control of production and consumption into the hands of the authorities.[35]

The thought of Professor von Mises was well drawn in different language in Woodrow Wilson's tariff message to Congress in April, 1913. In Wilson's references to tariff protection will be seen some of the dangers of all government intervention. President Wilson said:

> Consciously or unconsciously, we have built up a set of privileges and exemptions from competition behind which it was easy by any, even the crudest, forms of combination to organize monopoly; until at last nothing is normal, nothing is obliged to stand the tests of efficiency and economy in our world of big business, but everything thrives by concerted arrangement. Only new principles of action will save us from a final hard crystallization of monopoly and a complete loss of the influences

that quicken enterprise and keep independent energy alive.

. . . *We must abolish everything that bears even the semblance of privilege or of any kind of artificial advantage, and put our business men and producers* [*including farmers*—author] *under the stimulation of a constant necessity to be efficient, economical, and enterprising, masters of competitive supremacy, better workers and merchants* [*and farmers*—author] *than any in the world.*[36]

Farm intervention, by way of example, begins in a mild enough way. We shall raise farm income, say the farm interventionists, merely by providing cheap credit. This fails to prop farm income, for the marginal and submarginal producers thereby get a subsidy sufficient to hold them on the land and thereby worsen the surplus problem. Next, the farm interventionists try transportation-rate concessions, tariff protection, various tax exemptions, and stimulation of co-operatives. All fail. Price-fixing schemes and, inevitably, massive surplus-control and disposal problems result. Intervention piles on intervention, with, finally, the basic freedom and vitality of farming thoroughly smothered.

For this reason, the author recommends the elimination of market intervention, the abandonment, to use the words of the Supreme Court, "with all deliberate speed" —say over a four year period—of all price supports, commodity loans, conservation payments, acreage allocations, marketing controls, price-fixing, cheap credit, tax concessions, crop insurance, and all other government dictates and subsidies, open and hidden, to farmers. The

U.S.D.A. should be an advisory agency, not a price or income arbitrator.

That this recommendation is not so radical is evidenced by a poll conducted by *The Farm Journal,* one of the largest national farm magazines, and referred to by Secretary Benson in a speech in Dallas in 1959. Earlier in the year, the *Journal* invited farmers to tell Congress what to do about price support programs. In replying to that poll, 55 per cent voted for "no supports, no controls, no floors, free market prices; get the government clear out."[37] This was an increase over the 50 per cent who in a similar poll a year previous favored the government getting out of farming. Only 22 per cent in the 1959 poll wanted more government action—production payments or a return to supports at 90 per cent of parity.

The role of the farmers' lobbies has, in general, been anything but constructive in reversing the push for intervention. Lobbies have powerful influence—a farm politician bucking a farm lobby, especially one from his home district, may well be signing his political death warrant. It has already been shown, for example, how the American Farm Bureau Federation became the incubator for the hatching of the farm bloc and the McNary-Haugen bills. (Ironically, this farm organization is now in the vanguard of the struggle for freer farming.)

Lobbies frequently are in business to seek privileges—exemptions from the market system of consumer's sovereignity. To the politician, lobbies mean votes and political contributions, and so in a democracy of organized pressure groups, sought-after privileges, depending on

the strength of the lobbies, are generally translated into law. "Democracy is a system," said some thinker, "under which everybody knows what he wants and has the right to get it." Don Paarlberg, then Assistant to the Secretary of Agriculture, summed up the situation on June 4, 1953, on just the lobbying of the dairy interests against the oleomargarine interests, when he asked a dairy audience:

> Suppose that all the effort expended in fighting margarine during the past 50 years had been used instead to promote the better production and marketing of the products in which the dairy industry really excels—fluid milk and such products as cheese?

The rationale of farm politicians and farm lobbies in defense of farm intervention is matched by the more sophisticated rationale of many professional economists. These agricultural economists frequently question present farm intervention but all too often would replace it with other interventions of their own variation and to their own degree.

Professor Theodore W. Schultz of the University of Chicago criticized (in 1949) the present system of price supports but would substitute "compensatory price payments to farmers" in its place, meaning direct income supplements to farmers whenever hard times commence.[38] Dr. Troy J. Cauley of the University of Indiana favors the Brannan Plan as the solution of American farm ills.[39] Professor Willard R. Cochrane of the University of Minnesota calls for a public-utility approach to farming,

i.e., strict government production and marketing controls, and rejects the free-market approach, which would "choke off the rate of aggregate output expansion through widespread losses and business failure."[40] In 1955, the Seventh American Assembly of Columbia University, in a conference on agricultural policy which included such farm eonomists as Professor D. Gale Johnson of the University of Chicago, Professor Murray R. Benedict of the University of California, Professor O. B. Jesness of the University of Minnesota, and Professor Harold G. Halcrow of the University of Connecticut, concluded:

> The group generally agreed that moderate price supports and storage programs are desirable means of protecting some segments of agriculture against extreme price and income instability but noted that continuing attempts to use price supports to raise farm prices are self-defeating.[41]

Professor Carroll Bottum of Purdue University, interviewed at the thirty-fifth Farm Outlook Conference sponsored by the U.S.D.A. in November, 1957, said:

> We've discovered that some of the programs that people thought would work won't work at all. That's a type of progress.[42]

Professor L. H. Simerl of the University of Illinois declared:

> The farm problem is not something you solve but something you learn to live with—and we've made some progress in learning to live with it.[43]

Everett Peterson, a farm management specialist at the University of Nebraska, contended that only "cross-compliance," i.e., tighter controls, would be effective. Said Mr. Peterson: "We need production controls that work."[44]

This sketchy cross-section of professional opinion, which, of course, would show degrees of variance on specific details, indicates to some extent how farm intervention is endorsed and full reliance on the free market is avoided. Still, there are some hopeful signs. In December of 1957, the Committee for Economic Development made a strong appeal for disestablishment of government price-support policies "that have demonstrably failed, and in fact worsen the very problems they are intended to solve."[45] And in December, 1957, Professor Schultz said that federal farm policy had "collapsed" and that "the heart of the United States farm problem is in the surplus of human effort committed to farming."[46] Economist Edwin L. Dale, Jr., of *The New York Times,* writes that "the free market seems the only way out [of the farm problem], and the signpost to that route is lower and lower price supports."[47]

14. *The Constitution*

The roadblock to intervention in general and farm intervention in particular had long been the Constitu-

tion, now so diverted from its original interest and spirit that its modern label, "the living document," beclouds the breadth of change in that much belabored document. Prior to the Supreme Court of the late 1930's, the Court had already made some radical departures from the limited government philosophy of the Constitution. Farm intervention was furthered by the Court's 1922 decision (258 U.S. 495) upholding the Packers and Stockyards Act of 1921, which provided federal regulation of what had been well within the police power of the states. Farm intervention was also strengthened by the bureaucratic license permitted in *U.S.* v. *Shreveport Grain and Elevator Co.* (287 U.S. 77), in which the Court declared:

> That the legislative power of Congress cannot be delegated is, of course, clear. But Congress may declare its will, *and after fixing a primary standard,* devolve upon administrative officers the "power to fill up the details" by prescribing administrative rules and regulations.[48]

The major judicial rupture came in 1937, when the Supreme Court finally gave its blessing to the New Deal's massive program of intervention. Before 1937, the Court was divided on policy: to uphold the conservative tradition of the Constitution or to swing to a "liberal" interpretation. The point of issue was mainly the welfare clause of the Constitution. Did it provide authority for federal intervention into agriculture, industry, labor relations, public pensions, and so forth? The shift of one or two Justices would shift the weight of the entire Court.

Perhaps President Roosevelt's court-packing plan against "the nine old men" turned the trick. At any rate,

in 1937, the Constitution was radically altered in meaning and hence in application. The juxtaposition in judicial philosophy is seen in 1936 in *U.S.* v. *Butler* (297 U.S. 1), which rendered the Agricultural Adjustment Act of 1933 unconstitutional and which declared in part:

> The regulation [of the A.A.A.] is not in fact voluntary. The farmer, of course, may refuse to comply, but the price of such refusal is the loss of benefits. The amount offered is intended to be sufficient to exert pressure on him to agree to the proposed regulation. *The power to offer or withhold unlimited benefits is the power to coerce or destroy. . . .*
>
> The Congress cannot invade state jurisdiction to compel individual action, no more can it purchase such action. . . . Congress has no power to enforce its commands on the farmer to the ends sought by the Agricultural Adjustment Act. It must follow that it may not indirectly accomplish those ends by taxing and spending to purchase compliance. *The Constitution and the entire plan of our government negates any such use of the power to tax and to spend as the act undertakes to authorize.*[49]

Such a philosophy of limited government was short lived. In 1937, the Court started a new interventionist philosophy. So in 1942, in *Wickard* v. *Filburn* (317 U.S. 111), the now liberal court reversed the legal doctrine of the Butler case and upheld the constitutionality of the Agricultural Adjustment Act of 1938. Said the Court:

> The maintenance by government regulation of a price for wheat undoubtedly can be accomplished as effectively by sustaining or increasing the demand as by limiting the supply. The effect of the statute before us is to restrict the amount which may be produced for market and the extent as well as to which one may forestall resort to

the market by producing for one's needs. That appellee's own contribution may be trivial by itself is not enough to remove him from the scope of Federal regulation where, as here, his contribution, taken together with that of many others similarly situated, is far from trivial. . . . It is well established by decisions of this Court that the power to regulate commerce includes the power to regulate the prices at which commodities in that commerce are dealt in and practices affecting such prices. . . . *It is hardly lack of due process for the Government to regulate that which it subsidizes.*[50]

15. *Price-Fixing*

Price supports as an integral of farm intervention are essentially a form of price-fixing. The futility of price-fixing was signaled long before the 30-year fiasco of "farm policy" beginning with the Federal Farm Board of 1929, as demonstrated by Mary G. Lacy. In March of 1922, Miss Lacy, librarian for the U.S. Department of Agriculture's Bureau of Agricultural Economics, delivered a paper entitled "Food Control during Forty-Six Centuries" to the Agricultural History Society. The paper, published in *Scientific Monthly* in June, 1923, and later reissued in pamphlet form by Swift & Company, conclusively demonstrated the futility of farm intervention and provided ammunition to the forces opposing the farm bloc.

In her paper, Miss Lacy retold the well-known biblical story of Joseph, which shows how the progressive control of the food supply by the Egyptian government reduced the Egyptian people to slavery three millenia before Christ. Miss Lacy's paper is replete with examples of the

dangers of governmental interference with the production and sale of food. From 404-337 B.C., for example, Athens commandeered the grain trade and set price maximums but, despite extreme penalties, was unable to enforce them. And in 301 A.D., Diocletian of Rome attempted to deal with his inflationary problem with a price-fixing edict par excellence, perhaps the most stringent controls and penalties ever attempted. Wages were also fixed; teachers, advocates, bricklayers, tailors, writers, weavers, physicians—all were included. Lactantius, a contemporary scholar, wrote of what happened to Diocletian and his edict as follows:

After the many oppressions which he put in practice had brought a general dearth upon the Empire, he then set himself to regulate the prices of all vendible things. There was much blood shed upon very slight and trifling accounts; and the people brought provisions no more to markets, since they could not get a reasonable price for them; and this increased the dearth so much, that at last after many had died by it, the law itself was laid aside.[51]

But the hopelessness of price-fixing is a lesson that soon disappears from the mind of man. Some sixty years after Diocletian, Emperor Julian sought to dispel inflation by stabilizing the price of grain. Gibbon recorded the result in his *Decline and Fall of the Roman Empire* as follows:

The consequences might have been foreseen and were soon felt. The imperial wheat was purchased by the rich merchants, the proprietors of land, or of corn, withheld from that city the accustomed supply, and the small quantities that appeared in the market were secretly sold at an advanced illegal price.[52]

Then there is the case of Antwerp, also subject to price regulation. In 1585, Antwerp was under siege by the Duke of Parma. Inside Antwerp, the civic authorities were disturbed that speculators were accumulating and hoarding provisions in anticipation of higher prices. The authorities affixed low maximum prices on edibles and established hard penalties for all who tried to take more than the sum decreed. The consequences of the policy were twofold. It was a long time before the besieging Duke could succeed in blockading the Scheldt to prevent food ships from reaching Antwerp, but the corn and preserved meat which could have been rushed to the beleaguered city by the thousands of tons never arrived. No merchant would run the risk of having his ships sunk by the Duke's batteries merely to find a market no better than many others which could be tapped at no risk at all.

The second consequence of the price-fixing law was that the enforced lowness of food prices precluded any general retrenchment on the part of the citizens. The city ate, drank, and was reasonably merry until the famine struck—seemingly without warning. Antwerp fell, not so much to the force of arms outside the city as to the bungling legislation inside the city.

The lesson evaporated by the time of the French Revolution. The Revolution was plagued by inflation arising directly out of enormous issues of paper currency. Rather than stop the inflation at its source, Robespierre and his advisers preferred to treat symptoms—prices, especially the prices of food. Proclaimed Robespierre: "The food necessary to man is sacred as life itself." And, "The fruits of the earth like the atmosphere belong to all men."[53]

For reasons previously discussed, famine quickly fanned out along the streets of Paris. Price-fixing and its inevitable concomitant, the black market, became two of the many lethal aspects of the Reign of Terror. When Robespierre and his councilors passed through the streets of Paris in the carts of the executioners, the mob jeered, "There goes the dirty maximum."

Sometimes the lesson catches hold, if only temporarily. In 1770, the government of Lower Bengal had acted to restrain what it termed the monopoly of rice when that crop failed. Speculation in rice was forbidden and the price of rice was strictly controlled. The result was unforeseen; one-third of the population perished. Higher prices, which could have prevented much death and suffering, were not forthcoming. Higher prices would have rationed consumption and would have induced other parts of India and Asia to ship in grain. But the low maximum price set by the Bengalese government couldn't even cover the cost of transportation.

Very different was the action of the authorities when in 1866 another crop failure was experienced in the Bengal region. Far from trying to check speculation, the authorities did everything in their power to stimulate it. In the earlier famine, no one entered the grain trade in view of the price law. In 1866, many entered the trade, which the government expedited by publishing the free market grain rates in every district to render trade safe and easy. It was therefore common knowledge where grain was cheapest to buy and dearest to sell. The upshot was that the price of grain advanced but a few farthings, much less than the controlled prices at the end of the

earlier famine, and virtually nobody died of starvation.

Miss Lacy concluded her paper as follows:

> The history of government limitation of price seems to teach one clear lesson: That in attempting to ease the burdens of the people in a time of high prices by artificially setting a limit to them, the people are not relieved but only exchange one set of ills for another which is greater.[54]

CHAPTER VIII

Summary and Conclusions

> The system of corn law established in the reign of William and Mary was probably the most perfect to be conceived for advancing the agricultural interest of any country. Every stroke of the legislature seemed complete to this end. Yet it wholly failed of its purpose.
>
> —"Corn Laws," *Encyclopedia Britannica* (13th ed.), VII, 176.

Let us recapitulate the principles and conclusions reached so far:

1. America, as a colony and an infant republic, was a nation of farmers; it was natural, then, that agrarianism was its creed.

2. Agrarianism was an inconsistent philosophy, inheriting interventionist ideas from the mercantilists and limited-government and *laissez faire* ideas from such political philosophers and classical economists as Hume, Locke, Montesquieu, Turgot, and Smith.

3. The Constitution, especially in its apportionment of two Senators for every state regardless of population, favored the rural sector of the nation. This gave political weight to agrarian demands, which included cheap money and cheap transport.

4. The nineteenth century witnessed the industrial-

ization of the American economy, the breakup of States' Rights in the Civil War, the spread of farmer political movements that saw its zenith in Populism and William Jennings Bryan.

5. The twentieth century brought the so-called Golden Age of agriculture; the farm boom of World War I and the farm bust afterwards; the mild intervention of easy credit, etc.; Hoover's Federal Farm Board; the Great Depression; the heavy intervention of the New and Fair Deals; and the culmination of farm intervention with a seven-billion-dollar federal budget for agriculture under an administration pledged to freer farming.

6. Price, acreage, and marketing controls have proved inept and ineffectual, partly because of technology, partly because of politics, partly because of farmer circumvention, and mainly because of their inherent contradictions.

7. Overseas surplus farm disposal has aggravated U.S. foreign relations.

8. The Soil Bank, measured by its stated objectives, has failed. In 1958, for example, on the smallest acreage in 40 years, U.S. farmers harvested the largest crop output on record.

9. Parity has been a misconception from the outset.

10. "Farm policy" has destroyed many of the farmer's markets by overpricing agricultural commodities and by subsidizing, in effect, foreign and synthetic competition.

11. The real farm surplus is surplus farmers. Price supports perpetuate this surplus as would various alternative subsidies such as the Brannan Plan and other direct payment schemes.

12. The small marginal farmer, long the object of government paternalism, may someday be as passé as the village blacksmith.

13. "Farm policy," measured by its stated objectives, is a thirty year failure and a hopeless patchwork of laws which frequently operate at cross-purposes. On February 26, 1959, for example, Senator John J. Williams of Delaware inserted the following fact into the *Congressional Record*: In the 1957 crop year while the Government was loaning $3,447,902.81 to support the crops being produced by ten companies, another Government agency was under a different program paying these same companies $557,495.35 for not producing crops on another 10,243.6 acres which they controlled.

14. Many farmers grow for Government storage and not for market consumption, and hence become less concerned with the quality of their product. To wit: There has been a sharp increase of "yellow-belly" wheat (i.e. inferior quality) moving into Government inventory.

15. The cure for low prices is low prices; "the cure for 10-cent cotton is 10-cent cotton." The healthiest part of the American farm economy (more than half) is that part which does not get the "benefit" of mandatory price supports. The free market is the only way out of the farm problem.

16. Intervention is rarely, if ever, self-contained.

17. Farm intervention in America is but a phase of general intervention or statism. Statism is incompatible with human freedom, and since it hobbles economic proficiency, it is a poor answer to the Soviet economic challenge.

This recapitulation serves as a reminder of the main points of the author's argument. His argument is, in the main, negative. For a positive program for American agriculture, the author offers the following to be gradually effectuated.

1. Progressively work down all price supports and guarantees, as well as all acreage and marketing controls, at the expiration of current contracts, and then discontinue.

2. Gradually sell all government farm inventories and contingent liabilities back to farmers and farmer groups, no matter how low the price or how great the "loss."

3. Make American capitalism as free and thereby as strong as possible. This involves the progressive abandonment of statism, not only in agriculture, but in every phase of American industry. It means a drastic cutback in federal spending and a lifting of the tax burden from American taxpayers, both individuals and corporations. It means the creation of a better business climate. It means the recognition of the American farmer as a businessman capable of taking care of himself. It means the unimpeded evolution of mass-production, low-cost, and possibly corporate farming to restore agriculture's competitive position vis-à-vis foreign and synthetic markets, and, by reducing food and fiber costs, it means raising American living standards to a level never before reached. It means greater opportunities for the American farmer-businessman, his sons and daughters, and for other good minds of the Nation who will be challenged by the potential of free farming.

EPILOGUE

*Nature's Laws and Man's Laws**

> He that tilleth his land shall have plenty of bread: but he that followeth after vain persons shall have poverty enough.
>
> —PROVERBS 28:19

The law of life works infallibly. In eight minutes and twenty seconds, a life-giving ray of the sun hurtles the 93,000,000 miles (at the fantastic speed of 186,000 miles per second) from the sun to the Iowa farm pictured in Grant Wood's *American Gothic.* The ray is one of an infinite number which have made such a trip through the eons of time, drenching and renewing the land of milk and honey in biblical Canaan, the vineyard in Roman Gaul, the manor in medieval England, the rice paddy in present-day Burma, the farm in modern Iowa. In all, the basic biology of life is the same: sun and water, seed and soil.

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The Iowa farmer deposits a kernel of corn, one of countless, an inch or two in the soil, into the womb of Mother Earth. The elixir of life begins; sun, soil, and water break through the tough-shelled tomb of the seed; the kernel of corn, very much alive, explodes roots downward and stem upward. Against relatively enormous weight, the minute stem pushes aside tiny stones, dirt, and debris and pierces the earth's crust, seeking, mysteriously, the life-sustaining rays of the sun.

From the soil, a small whitish plant emerges, fragile, but alive and vibrant, beautiful to the eye and delicate to the touch. Soon, breathing air, absorbing water, defying gravity, the at-first insignificant cornstalk soars majestically, a triumph of Nature's engineering and architecture, turning to the sun and bending with the wind. Then come ears and tassel and the seeds with which to begin again the endless cycle of growth and regrowth and, for man, the age-old process of cultivation.

Meanwhile, locked in the harvested ears of corn is the life-giving energy of the sun, transmitted at a level no human eye will ever see, perhaps not even with powerful microscopes yet to be designed. This is photosynthesis: life, substance, energy, transmitted from ray to plant and, ultimately, to animals and humans; life sustaining life, in strict accord with the laws of Nature.

Do such laws regulate the affairs of men? Some twenty-five thousand years ago, man—a crude nomadic hunter, a garnerer of nuts, a berry-picker—saw the possibilities of harnessing seed and seasons into a regular pattern of cultivation and harvest, and the problem of Homo Sapiens' survival was greatly eased. The laws of Nature were rec-

ognized, understood, and applied. The agricultural revolution was born, and more than that, the time and energy and anxiety spent on the eternal hunt for food were released for division of labor, for trade, for capital accumulation, and, later, for reflection on the meaning of life and, eventually, for literature, architecture, art, music, and philosophy. The agricultural revolution laid the basis, in short, for permanence, for civilization.

More than twenty-four thousand years later, from the latter part of the eighteenth century until World War I, came the industrial revolution and, relatively speaking, *laissez faire*. The nineteenth century was a remarkable century. It was a century of political liberty, free trade, and the gold standard, a century in which slavery was banished almost the world over and the British corn laws were repealed, a century of science, a century of choice, a century of the inherent dignity of the individual. Essentially, no government burned coffee, operated public granaries, issued fiats on permissible acreages, paid farmers not to farm, or sold surpluses to foreigners more cheaply than to its own citizens. The farmer "was a free man, independent on his own acres, beholden to no one but his God, assured of a living if he only worked hard enough. It was a wonderful dream. It *did* happen. It *is* passing. Now it belongs to history and the poets."[1]

The tragedy of modern farm intervention is twofold. One tragedy stems from man's efforts, in a sense heroic, to repeal Nature's laws, to substitute bureaucratic rule for the market place, to set prices below the market price and decree, vainly, that there shall be no shortages, and to set prices above the market price and assert, again

vainly, that there shall be no surpluses. So under the banner of farm policy, and armed with legislative authority, court orders, administrative directives, and no little courage and smugness, the interventionists commandeer the market place and "adjust" farm prices and, ultimately, the farm itself. Politics enters (e.g., the farm bloc). Pressure groups pull this way and that. One intervention fails, and a new one is tacked on. The jerry-built edifice wobbles anew. So still more intervention.

A generation of "farm policy" adds up to hopeless tinkering, fantastic losses, planned chaos, a lost war against Nature's laws. The battles have been man's laws: the Fordney-McCumber Tariff, the McNary-Haugen bills, the Farm Marketing Board, the Smoot-Hawley Tariff, the A.A.A., soil conservation, the ever normal granary, the Food-Stamp Plan, 90 per cent of parity, the Brannan Plan, flexible parity, the Soil Bank, overseas surplus disposal. These man-made laws have snares. Tens of thousands of American farmers run afoul of the farm laws every year. In 1954, for example, fourteeen thousand wheat violations and more than twenty-three thousand tobacco violations were prosecuted. Although the government collects millions of dollars in fines, so wide a disrespect for the law suggests that the fault lies in the legislation—legislation that is clearly in conflict with human nature, much as was Prohibition, which converted the nation to bathtub gin, speak-easies, and mass lawbreaking. An Indian mission school in Montana raised wheat enough to take care of its children's needs. Its allotment was twenty-eight acres; it raised sixty-five acres. A monastery in Georgia, given too small a wheat allotment to

provide for its members, defied controls and planted what it needed.

The irony is that the farmer to be saved wasn't; since the New Deal, one of every three farmers has quit. The exodus from farming, in a sense a triumph of efficiency over intervention, continues to the present day.

The second phase of the tragedy of modern farm intervention is that it is but a chapter in a much longer but unfinished story; it is a part of a philosophy, a way of life, a return to mercantilism, a recall to the planned society of Imperial Rome. How will the story end?

Many farmers bemoan the loss of their economic liberty, but do they bemoan the censorship of a movie in Philadelphia or a play in Boston, the lifting of mailing privileges for a radical weekly? Does the interest of a Jehovah's Witness in freedom of religion extend to an interest in the publisher's concern for the freedom of the press? Does the publisher worry over the worker's loss of civil liberty in having to join a union against his will? Does the worker lose any sleep over the scientist who is denied a passport and hence is not free to travel abroad? Does the atomic scientist complain when the Japanese-American is put into a federal concentration camp or the Nazi is judged under *ex post facto* laws?

Freedom is all. As long as man exercises neither force nor the threat of force against his fellow man, freedom exists. The duty of government, then, is to preserve freedom, to use its force only to repel force; the spirit of free enterprise and liberalism will do the rest. The modern dilemma is that competition, the law of supply and demand, however worshiped in the abstract, is nowadays

shot through with privileges extended by government and eagerly sought by its citizens.

The farmer is not alone. Government, as Voltaire noted, has become the art of taking from some and giving to others. The business man looks for a tariff, the veteran for a pension, the shipper for a subsidy, the worker for a minimum wage, the periodical publisher for an artificial mailing cost, the industrialist for a defense contract, the silver producer for the monetization of silver, the labor official for immunity from the anti-trust laws, the elderly for social security, the bureaucrat for power, the debtor for inflation, and so on and on, the state ever swelling, the individual ever shrinking.

It is an age of amorality, an age of seeking something for nothing, of shedding private responsibility and becoming wards of the state—the welfare state. It happened before. Rome, for instance, had its "bread and circuses." It tried to repeal Nature's laws—for example, the law of self-reliance and the law of supply and demand. Nature was not denied then. Will she be denied now?

These are the words of Ralph Waldo Emerson, written more than a century ago:

> The harvest will be better preserved and go farther, laid up in private bins, in each farmer's corn-barn, and each woman's basket, than if it were kept in national granaries.
>
> In like manner, an amount of money will go farther if expended by each man and woman for their own wants, and in the feeling that this is their all, than if expended by a Great Steward, or National Commissioners of the Treasury.
>
> Take away from me the feeling that I must depend

upon myself, give me the least hint that I have good friends and backers there in reserve who will gladly help me and instantly I relax my diligence.

Give no bounties, make equal laws, secure life and property, and you will not need to give alms. Open the doors of opportunity to talent and virtue, and they will do themselves justice and property will not be in bad hands. In a free and just commonwealth, property rushes from the idle and imbecile to the industrious, brave, and persevering. The level of the sea is not more surely kept than is the equilibrium of value in society by demand and supply; and artifice and legislation punish themselves by reactions, gluts, and bankruptcies.

Said President Grover Cleveland, in vetoing federal aid to the Texas drought farmers of his day: "It is the business of citizens to support the Government, not the Government to support the citizens."

In the words of Michigan chicken farmer Stanley Yankus, who sold out his farm to meet a fine for overplanting wheat which he fed to his chickens, and now an American expatriate: "I'm a Paul Revere trying to alert the country about the dangers to freedom."

Which will triumph, Nature's laws or man's laws?

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NOTES

NOTES

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12. *The New York Times,* October 3, 1953.
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3. *The New York Times,* January 17, 1958.
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13. *Ibid.,* 5.
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